

## SENATE.

FRIDAY, July 14, 1922.

(Legislative day of Thursday, April 20, 1922.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

## PROPOSED DUTY ON RAW WOOL.

Mr. CALDER. Mr. President, I am in receipt of a letter from the New York Clothing Trade Association, of New York City, in which they complain of the duty proposed on wool in the pending tariff bill. I referred the letter to the Tariff Commission, who made a careful examination of the whole subject and have submitted their findings to me. Their report is so illuminating that not only the Senate, but the country, should have the information. I ask, therefore, that the letter from the New York Clothing Trade Association to me, my reply, and the Tariff Commission's memorandum be printed in the RECORD in regular RECORD type.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The matter referred to is as follows:

NEW YORK, June 8, 1922.

Senator WILLIAM M. CALDER,

Senate Building, Washington, D. C.

ESTEEMED SENATOR: The members of the New York Clothing Trade Association view the proposed tariff of 33 cents on raw wool as pernicious and not in the public interest, and take this means of registering its opposition to the passage of that legislation.

The imposition of prohibitive tariffs on necessities can only be justified when dictated by dire and urgent exigency. Such condition does not exist. The burden of the proposed wool tariff will fall mainly on the masses. The members of the Finance Committee well know that the woolgrowing industry is concentrated in the hands of but a few large growers. The approximate total production of raw wool by these growers is about \$65,000,000.

The tariff proposed is, in round numbers, to yield, as variously estimated, between \$310,000,000 and \$360,000,000. The increased price the farmers, who sell to the large growers, would receive for their raw wool would hardly compensate them for the advanced prices of wearing apparel. The working classes, on the other hand, would principally suffer by the increase in prices of clothes. This exorbitant proposed tariff could only inure to the benefit of the few large woolgrowers and manufacturers of woollens. The latter, in anticipation of the proposed legislation, are now raising prices, and the press is teeming with news items of the increased prices the public will have to pay for clothing this coming fall. While prima facie the proposed tariff is only 33 per cent on the raw wool, by the time the spinners, weavers, and manufacturers are compensated for their increased costs it is estimated by experts the proposed tariff on wool will mean an increase in the price of a suit of clothes of \$5 and in the price of an overcoat \$7. This estimate applies particularly to popular-priced clothing. The higher-grade goods will not be affected proportionately in the same degree.

If revenue must be raised, it should not be saddled on the class least able to shoulder it. If the small woolgrowing industry must be helped, let the Government subsidize it by bounty or otherwise. Moreover, increased prices in apparel will induce a false spirit of economy and we will again witness a nation in tatters.

On May 23, 1922, the members and directors of our association passed a resolution protesting against the aforesaid pernicious proposed tariff on raw wool, and we herewith inclose a true copy thereof.

Trusting this communication will receive your consideration, we are,

Respectfully yours,

NEW YORK CLOTHING TRADE ASSOCIATION,  
By WM. A. BANDLER.

UNITED STATES SENATE,  
COMMITTEE TO AUDIT AND CONTROL THE CONTINGENT  
EXPENSES OF THE SENATE,  
July 6, 1922.

Mr. WILLIAM A. BANDLER,

New York Clothing Trade Association,

347 Fifth Avenue, New York City.

MY DEAR MR. BANDLER: You wrote me on June 8 concerning the proposed duty of 33 cents on clean content of raw wool, indi-

cating that this would tend to increase the price of a suit of clothes approximately \$5 and an overcoat \$7. You state that this estimate applies particularly to popular-priced clothing.

I have inquired into the matter most carefully and have discussed the situation with the Treasury experts and representatives of the Tariff Commission, who have made a most exhaustive study of the whole subject.

The Fordney-McCumber bill fixed a rate on wool which is substantially the same, if not less, than the duty imposed under the present emergency tariff law, which is now in effect, dependent upon the percentage of shrinkage. I believe you are in error when you state that the proposed duty will increase the price of all clothing; and I presume in making this statement you have in mind the rates provided in the present law and the fact that wool was admitted free under the Underwood law, which was in operation previous to the emergency tariff act.

As an evidence of the fact that your understanding is not correct, I am pleased to submit for your consideration a memorandum prepared for me by the United States Tariff Commission on June 29.

Recently I purchased some clothing from one of our large and well-known clothing establishments, and I am convinced from my own experience that suits and overcoats can be purchased at a cheaper price to-day under the emergency tariff act than they could in the spring of 1921, when we were operating under the Underwood law, which admitted wool free of duty. May I call your attention particularly to the table incorporated in the Tariff Commission's memorandum, which demonstrates that the raw-wool duty in a suit of clothes weighing 2½ pounds, exclusive of the merchandising cost, is about 92 cents, while the duty on an overcoat, exclusive of the merchandising costs, would be approximately \$1.71. These figures have been carefully prepared and are authentic, and I believe that if you go into the matter again you will be convinced that your understanding is in error, even though the duty of 33 cents a pound clean content has been augmented by the several handlers' gross profits. It is no doubt that this duty when carried through to the ultimate consumer will be increased to a degree. It is estimated by the Tariff Commission that the original duty of 49 cents per pound will finally cost the consumer 93 cents per pound, as indicated in the table of costs incorporated in the Tariff Commission memorandum.

Sincerely yours,

WILLIAM M. CALDER.

JUNE 29, 1922.

Memorandum to Senator CALDER relative to a communication of the New York Clothing Trade Association in regard to the duty on raw wool.

The main question raised in the statement of the New York Clothing Trade Association is whether the proposed duty of 33 cents on raw wool, clean content—shown in their statement as 33 per cent, but presumably intended as 33 cents, since this is the actual basic rate proposed—will necessitate an increase of \$5 in the price of a suit of clothes and \$7 in the price of an overcoat.

It is impossible for anyone to state with certainty how much a duty of 33 cents per clean pound will enhance the price of a suit or an overcoat, even when assuming a standard specification of each article. That such a duty will tend to increase and certainly to check a decrease in the price of these articles seems inevitable, but no exact calculation can be made because of the variable factors involved. It is to be borne in mind that the price of wool may not be enhanced by the full amount of the duty. To be sure, the compensatory duties on the tops, yarn, and cloth are based on the assumption that the duty on the raw material will be fully effective, and if there were no competition in the domestic industry the failure of wool prices to rise by the full amount of the duty would make no difference in the price to the public. But since the duty is competitive, it may be prevented from reaping the full advantage of the compensatory duties under these conditions, except in periods of marked business activity. In such periods the duty on raw wool is likely to be fully effective. In estimating, therefore, the effect of the duty on the price of a suit or overcoat the assumption that the 33-cent duty per pound of clean wool will enhance the cost to the weaver, and hence necessitate an increase of his price by the full amount of the compensatory duty—that is, 49 cents—is open to some qualification.

Another set of variable factors arises in connection with the pyramiding of the duty as the wool passes from the raw state through the various manufacturing and distributing stages to reach the consumer in the form of wearing apparel. Considerable latitude must be allowed in estimating such pyramiding. One result may be arrived at by adding to the compensatory

duty of 49 cents the percentage of overhead and profit, respectively, of the wool dealer, the top maker, the spinner, the weaver, the cloth jobber, the clothing manufacturer, and the retailer. Or a different conclusion may be had by assuming that the wool passes through fewer hands; that all operations from the purchase of the raw material to the weaving of the cloth are integrated in the same establishment; that the margin for overhead and profit are therefore less than the aggregate margins of the specialized establishments; and that no cloth jobber intervenes between the weaver and the clothing manufacturer. Again, there may be some difference of opinion as to what margin for overhead and profit may be regarded as typical in certain instances.

The best method of making the calculation seems to be to assume that the duty will be fully effective and to add a conservative margin in each instance to cover the overhead and profit of the clothing manufacturer and the retailer, then to make such adjustments as may be deemed necessary to cover variable factors. These selling margins may be taken, respectively, as 10, 15, and 50 per cent. A margin of 10 per cent to the cloth maker—say, 6 per cent for profit and 4 per cent for selling expense—would appear to be a very conservative estimate. A margin of 15 per cent to the clothing manufacturer accords with the average conditions shown in the 1916 report of the Department of Commerce entitled "The Men's Factory-Made Clothing Industry." A margin of 50 per cent to the retailer on his purchase price—equivalent to 33½ per cent of his selling price—was taken as typical. In the report, "Retail prices are taken as 50 per cent more than the net wholesale price, which the board considers a fair estimate of the lowest figures at which such garments are sold." An effective duty on clean wool of 33 cents per pound is equivalent to 49 cents per pound on all-wool cloth. Pyramiding 49 cents by 10, 15, and 50 per cent, respectively, gives 93 cents per pound of cloth in the garment.

Parenthetically, attention should be directed to the possible criticism that the various "middlemen" are not justified in adding their normal margin to that portion of their costs attributable to the duty, and that when competition is keen they will be unable to do so. Upon reflection it becomes clear that the addition of this margin rests upon a firmer basis than the mere custom of adding a fixed percentage. The enhancement in the cost of the cloth or clothing, as the case may be, resulting from the duty, involves an immediate increase in such expenses as interest charges, taxes, insurance, and an ultimate increase in wages. Fundamentally, it is difficult to differentiate an increase by reason of the duty from an increase in costs attributable to other causes.

The following table shows how a cost of 93 cents per pound of cloth would work out on suits and overcoats of the specifications shown. Additional columns, deducting 10 and 20 per cent, respectively, from the 93-cent computation, to make allowance for possible failure of the duty to pyramid to 93 cents, are also shown. Among the garments listed, suits made of 12-ounce cloth and overcoats of ordinary weight can probably be regarded as most typical. Each garment is, of course, assumed to consist wholly of virgin wool:

	Weight of cloth per linear yard (54-56 inches wide).	Linear yards required.	Weight of cloth in article.	Cost of duty per article.		
				Based on 93 cents per pound of cloth.	Based on 93 cents less 10 per cent.	Based on 93 cents less 20 per cent.
	Ounces.		Pounds.			
Suits.....	10	3½	2½	\$2.03	\$1.83	\$1.62
	12	3¼	2½	2.44	2.20	1.95
	14	3¼	3¼	2.85	2.56	2.28
Overcoats:						
Ordinary style—						
Lined.....	20	2½	3½	3.20	2.88	2.56
Unlined.....	20	3	3½	3.49	3.14	2.79
Heavy ulsters—						
Lined.....	28	3½	5½	5.29	4.76	4.23
Unlined.....	28	3½	6½	5.70	5.13	4.56

<sup>1</sup> 93 cents includes merchandising costs and profit.

#### REPORTS OF THE COMMITTEE ON CLAIMS.

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

A bill (H. R. 513) for the relief of George R. Campbell, Milton B. Germond, and Walter D. Long (Rept. No. 819);

A bill (H. R. 862) for the relief of Vivian Hood (Rept. No. 820);

A bill (H. R. 8073) for the relief of the Kineo Trust Co. (Rept. No. 821);

A bill (H. R. 8143) for the relief of Fitzcharles Dry Goods Co. (Rept. No. 822);

A bill (H. R. 9472) for the relief of the Canadian Pacific Railway Co. (Rept. No. 823); and

A bill (H. R. 10544) for the relief of Louis Cayet (Rept. No. 824).

#### BILLS AND JOINT RESOLUTION INTRODUCED.

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WALSH of Montana:

A bill (S. 3825) to prevent evasions of the antitrust laws; to the Committee on the Judiciary.

By Mr. SHORTRIDGE:

A bill (S. 3826) for the relief of Gordon G. MacDonald; to the Committee on Naval Affairs.

By Mr. BURSUM:

A bill (S. 3827) granting an increase of pension to Sarah E. Roberts; to the Committee on Pensions.

By Mr. HARRELD (by request):

A bill (S. 3828) to authorize the Secretary of the Interior to issue oil and gas permits and leases to persons equitably entitled thereto, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. TOWNSEND:

A joint resolution (S. J. Res. 224) proposing an amendment to the Constitution of the United States; to the Committee on the Judiciary.

#### THE TARIFF.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7456) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.

Mr. McCUMBER. I ask that the Senate now proceed to the consideration of section 321, on page 286. This is in pursuance of the general understanding that the dye embargo provision would be taken up to-day.

The amendment of the Committee on Finance was, on page 286, after line 16, to insert a new section, as follows:

SEC. 321. That the dye and chemical control act, 1921, approved May 27, 1921, as amended, shall continue in force for one year after the date of the passage of this act.

Mr. HEFLIN. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:—

Baile	Glass	McCormick	Smith
Borah	Gooding	McCumber	Smoot
Bursum	Hale	McKinley	Spencer
Calder	Harris	McLean	Stanley
Cameron	Harrison	McNary	Sterling
Capper	Hefflin	Moses	Townsend
Caraway	Johnson	Nelson	Trammell
Cummins	Jones, Wash.	Norbeck	Underwood
Curtis	Kellogg	Oddie	Walsh, Mass.
Dial	Kendrick	Overman	Walsh, Mont.
du Pont	Keyes	Ransdell	Warren
Ernst	King	Rawson	Watson, Ind.
France	Ladd	Robinson	Willis
Frelinghuysen	Lenroot	Sheppard	
Gerry	Lodge	Simmons	

Mr. HARRIS. I wish to announce that my colleague [Mr. WATSON of Georgia] is absent on account of illness. I ask that this announcement may stand for the day.

Mr. GERRY. I wish to announce that the Senator from Nevada [Mr. PITTMAN] is absent on account of illness in his family. I ask that the announcement may stand for the day.

The PRESIDENT pro tempore. Fifty-eight Senators have answered to their names. A quorum is present.

Mr. MOSES obtained the floor.

Mr. WATSON of Indiana. Mr. President, will the Senator yield to me that I may make a brief statement?

Mr. MOSES. I hope it will not be long.

Mr. WATSON of Indiana. Five minutes.

Mr. MOSES. I yield for that purpose.

Mr. WATSON of Indiana. Mr. President, the figures have just been completed showing estimated imports for the first 12 months under the bill as reported by the committee and the duties collected for the calendar year 1920 on the 14 schedules. I ask unanimous consent to submit this table for printing in the RECORD.



There being no objection, the table was ordered to be printed in the RECORD, as follows:

Schedule number.	Duty collected calendar year 1920.	Estimated imports first 12 months under new act.	Estimated duty collected first 12 months under new act.
I.....	\$14,582,617	\$56,980,713	\$21,265,851
II.....	9,245,116	24,319,045	10,979,468
III.....	16,583,723	164,445,106	18,016,578
IV.....	1,986,621	8,925,410	2,278,585
V.....	79,542,124	220,475,100	129,667,239
VI.....	33,685,904	56,217,325	29,079,050
VII.....	24,599,207	130,220,576	33,301,057
VIII.....	1,157,492	3,734,100	3,314,950
IX.....	21,261,983	107,656,525	30,434,385
X.....	13,441,411	57,066,700	18,267,370
XI.....	16,637,350	38,662,650	23,576,410
XII.....	22,327,408	25,210,500	14,751,875
XIII.....	1,758,347	50,550,645	4,125,208
XIV.....	68,425,327	184,079,760	69,161,192
Free list.....	1,321,954	1,927,406,650	.....
Total.....	326,556,584	1,128,544,155	408,219,228
Duty collected calendar year 1920.....	.....	326,556,584	.....
Increase.....	.....	.....	81,662,644
Total (including free list).....	.....	3,055,950,805	.....

<sup>1</sup> Dutiable.

Mr. WATSON of Indiana. The estimated imports for 12 months under the bill as it left the committee, with its alleged high rates, total \$3,055,950,805. Of that amount of estimated imports \$1,128,544,155 are dutiable and \$1,927,406,650 on the free list; or, of the total estimated imports under the provisions of the bill as it left the committee 63 per cent will come in free and only 37 per cent will come in dutiable, with both specific and ad valorem duties. This is much the highest per cent of free imports under any tariff bill ever proposed by the Republican Party and but slightly less than for the last five years under the Underwood tariff law.

The duties collected for the calendar year 1920 total \$326,556,584. The estimated duties under the pending bill amount to \$408,219,228, or an increase of \$81,662,644 in revenue collected.

I shall not go into the items, because the Senator from New Hampshire [Mr. Moses] is anxious to proceed with his speech, but in addition to what I have already stated and for the information of the Senate I want to have printed in the RECORD a statement of the duties collected and the average ad valorem rates paid under the several tariff acts since 1890, showing the amount of revenues and the average ad valorem dutiable, and free, and dutiable. The table shows that in the fiscal year 1891 the average dutiable rates amounted to 46.26; in 1893, 49.56; in 1895, 41.75; in 1899, 52.07; in 1907, 42.56; in 1909, 43.15; in 1911, 41.22; in 1913, 40.05; in 1914, 37.60; for the calendar year 1920, 16.40; and for the calendar year 1921, 29.45; while under the pending bill it is estimated that it would amount to 36.17, or a much lower average duty on imports on the dutiable list than under any previous Republican law.

The average ad valorem on both the free and dutiable lists for 1891 was 25.65; for 1893, 23.79; for 1895, 20.44; for 1899, 29.48; for 1907, 23.28; for 1909, 22.99; for 1911, 20.29; for 1913, 17.69; and for 1914, 14.88; while for the calendar year 1920 it was 6.38 and for the calendar year 1921, 11.44. Under the pending bill it would be only 13.36, but 2 per cent more than last year under the joint operation of the Underwood law plus the emergency tariff act; or, in other words, a much lower ad valorem rate on both free and dutiable goods than under any Republican law ever proposed.

I submit these figures and ask unanimous consent that they be published in the RECORD for the information of the Senate.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The table is as follows:

*Duties collected and average ad valorem rates of duty paid under the several tariff acts since 1890.*

Fiscal years:	Revenue.	Average ad valorem.	
		Dutiable.	Free and dutiable.
1891.....	\$216,885,701	46.26	25.65
1893.....	199,143,678	49.56	23.79
1895.....	149,450,608	41.75	20.44
1899.....	202,072,050	52.07	29.48
1907.....	329,489,048	42.56	23.28
1909.....	294,667,054	43.15	22.99
1911.....	309,965,692	41.22	20.29

*Duties collected and average ad valorem rates of duty paid under the several tariff acts since 1890—Continued.*

Revenue.	Average ad valorem.	
	Dutiable.	Free and dutiable.
Fiscal years—Continued.		
1913.....	\$312,509,946	40.05
1914.....	283,511,564	37.60
Calendar years:		
1920.....	325,645,565	16.40
1921.....	292,396,752	29.45
Estimated, pending act.....	408,219,228	36.17

Mr. DIAL. Mr. President—

The PRESIDENT pro tempore. Does the Senator from New Hampshire yield to the Senator from South Carolina?

Mr. MOSES. May I ask for what purpose?

Mr. DIAL. Will the Senator kindly yield to me in order that I may make a statement?

Mr. MOSES. Does the Senator expect to occupy much time in doing so?

Mr. DIAL. No; I never occupy much time.

Mr. MOSES. I yield to the Senator, because I expect to occupy considerable time, and I do not wish to be interrupted after I begin my speech.

#### AMENDMENT OF COTTON FUTURES ACT.

Mr. DIAL. Mr. President, since I have been a Member of this body I have occupied as little time as possible in addressing the Senate; in fact, I have refrained from speaking on many occasions when perhaps I should have said something in behalf of my constituents. It is now opportune, while we are considering the tariff bill, to consider another matter which is closely connected with it, and more particularly while we are on the cotton schedule.

We have in this country almost come to a point when there is about to be a failure in the production of cotton. The great trouble from now on is going to be to obtain cotton with which to run the mills for another year. On April 21 of last year I introduced a bill—Senate bill 385—proposing to amend the cotton futures contract law. On February 3 of this year I proposed a substitute amendment to that bill. That bill and the proposed substitute, Senate bill 3146, were referred to the Committee on Agriculture and Forestry of the Senate. That committee has had those measures before it for consideration, but has failed to make a report thereon.

Some time ago I appealed to the committee to make a favorable report, if it were willing to do so, and, if it were not inclined to do that, then to report the bill without recommendation, or, if they would not do that, then to report the bill unfavorably, and I would undertake to take care of the measure on the floor of the Senate. The committee, however, has not acted at all. Some time after making my appeal to the committee for action I served notice that, unless action were taken, I would move to discharge the committee from the further consideration of the measure; and I rise now to say that, beginning on Monday morning next, I am going to take up as much time as is necessary, and I am going to make as many motions as I may be allowed to make, under the obsolete rules of this body, in order to try to bring the matter before the Senate.

I introduced the amendment to which I have referred in good faith, and I have begged the committee, in season and out of season, to make some kind of a report thereon. I think it is due me, representing as I do in part a great cotton State, that the committee should make some kind of a report and let this body act upon the subject. I feel that there can be no fair-minded man in the United States who can oppose the amendment which I have proposed to the existing law. If any Senator here has any better proposition to make to help the people of my section, let him propose it, and I will tear up my measure and throw it into the wastebasket.

According to my view, under the operation of the present law the people of the South are deprived of many hundreds of thousands of dollars each year. We have now come to a time when we have about collapsed in the production of cotton. Our people can not stand the present situation; they can not exist under it any longer. I predict that next year many mills in the world will be shut down for many months in the year by reason of a lack of the raw material.

There has been talk about proper labor, but there is no labor which is treated as are the laboring people in the South who are trying to raise cotton. If we in that section of the country

were out of debt I should be glad if we did not plant another seed of cotton until Congress corrected the present unjust law.

Mr. President, I hope the members of the Committee on Agriculture and Forestry will be here on Monday morning next, for I am going to move as soon as I may properly do so under parliamentary procedure to discharge that committee from the consideration of my bill and amendment and endeavor to bring the measure on the floor of the Senate. I am glad the matter is now up, so that while we are considering the iniquitous cotton schedule of the pending tariff bill the Senate may consider along with it the interests of the producers of the cotton.

Some time ago I sent to every Senator a copy of a speech which I made on the 3d day of February of this year, and if any Senator cares to look into the matter and spend merely a few moments of time in doing so I shall be glad to send him another copy of the speech, not because I made it but because it contains irrefutable facts which have been collated by the Agricultural Department and which are undisputed. I thank the Senator from New Hampshire.

Mr. HEFLIN. Mr. President—

Mr. MOSES. Mr. President, I have already yielded 20 minutes of my time. Only two days were set aside by agreement to deal with the pending question in the tariff bill, and I can not yield further.

Mr. HEFLIN. Then I will wait until the Senator shall have concluded.

#### DISTRIBUTION OF SPEECHES BY FEDERAL RESERVE BANKS.

The VICE PRESIDENT laid before the Senate a communication from the governor of the Federal Reserve Board, transmitting, pursuant to Senate Resolution 308, a letter from the Federal Reserve Bank of New York relative to the circulation of a speech of Senator GLASS on the Federal reserve system, which was ordered to lie on the table.

#### THE TARIFF.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7456) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.

Mr. MOSES. Mr. President, the dye and chemical industries are plainly the spoiled children of the Finance Committee. Like most spoiled children they are both greedy and impudent; but dye is the special darling of the pair, while his chemical sister serves chiefly to furnish pseudo-scientific scenic setting for the tragic farce which has been played for eight years before the American public, and which now reaches its climax in an insolent demand for continued special privilege.

Beginning with paragraph 25 of the bill before us, we find these products increased from 30 to 50 per cent in their ad valorem rates; in paragraph 26 their rates are increased from 35 to 60 per cent; and but for an outcry too vigorous to be disregarded the same paragraph would have contained a further provision putting into the hands of a few highly favored, privileged producers the right to deprive the invalids of America of remedies which their physicians might deem desirable or even vital in the care of the sick.

In paragraphs 901 and 903, and again in paragraphs 1205 and 1206, occur another provision, ostensibly designed to enhance the protection to be afforded to textiles, but in effect adding even more to the high favor already shown to the dye manufacturers.

Under Title III, in section 321, will be found the so-called dye embargo provision which is immediately before us, while four pages earlier, in section 315, paragraph (d), will be found a provision authorizing the President, upon a showing which no one doubts will be attempted, to double the length of the embargo period later provided for.

I will not comment, Mr. President, upon the peculiar manner in which these items of dye protection have been developed in this bill. They present no continuity nor coherence. If designed purposely to mislead, they could hardly be better arranged to attain that end; yet through them all runs the certain purpose to afford inordinate favor to an industry which neither merits nor requires it.

#### SIX ITEMS OF TARIFF PROTECTION.

Let me enumerate, Mr. President, the separate items which this bill contains for the delight of the dye makers: First, the fixed rates of duty which the bill establishes; second, the President's authority to increase these duties by 50 per cent for cause shown; third, the additional duty inserted in paragraphs 901 and 903 and 1205 and 1206 and providing a special levy upon certain fabrics when dyed with vat colors; fourth, an absolute embargo for one year; fifth, a provision for the possible extension of this embargo for another like period; sixth, on presidential investigation the duty may be based on the Ameri-

can selling price; seventh, it is provided especially that coal-tar products, which may be considered similar, and so forth—in other words, substitutes—shall by presidential proclamation be embargoed under the dye and chemical control act of 1921.

I am convinced, Mr. President, that the duties carried by this bill upon dyestuffs granting 60 per cent ad valorem in addition to 7 cents a pound specific duty provide in themselves all the protection which the industry needs. This is, however, by no means all the direct protection which the bill gives. In paragraph 26 there are two provisos the effect of which will be to largely increase the protection afforded by the specific rate of 7 cents per pound.

These provisions require that the specific rate of 7 cents per pound shall be imposed according to standards of strength established by the Secretary of the Treasury, and that 7 cents shall be applied only to the lowest commercial strength in which coal-tar dyes were bought and sold in the United States on July 1, 1914. In the event that importations shall be of higher strength than the lowest commercial strength on that date, the specific duty of 7 cents per pound shall be computed upon the weight the dye would have if it were diluted to the standard strength which the Secretary shall establish. In other words, if the lowest commercial strength of a particular dye on July 1, 1914, was 20 per cent, and an importation of this particular dye shall hereafter arrive at an American port of entry at a strength of 100 per cent, the customs officials under this bill will impose upon this shipment a duty of 60 per cent ad valorem, and will then multiply the 7 cents per pound rating by 5, since the importation is five times the established strength of July, 1914. In this case the dye would be dutiable at 60 per cent ad valorem and 35 cents per pound.

These two provisions will be found in paragraph 26 of the bill, lines 7 to 18, inclusive, on page 12; lines 23 to 25, inclusive, on page 13; lines 1 to 10, inclusive, on page 14. They are as follows:

1. *Provided*, That the specific duty of 7 cents per pound herein provided for on colors, dyes, or stains, whether soluble or not in water, color acids, color bases, color lakes, leuco compounds, indoxyl, and indoxyl compounds, shall be based on standards of strength which shall be established by the Secretary of the Treasury, and that upon all importations of such articles which exceed such standards of strength the specific duty of 7 cents per pound shall be computed on the weight which the article would have if it were diluted to the standard strength, but in no case shall any such articles of whatever strength pay a specific duty of less than 7 cents per pound. \* \* \*

2. *Provided further*, That in the enforcement of the foregoing provisions in this paragraph, the Secretary of the Treasury shall adopt a standard of strength for each dye or other article which shall conform as nearly as practicable to the commercial strength in ordinary use in the United States prior to July 1, 1914; that if a dye or other article has been introduced into commercial use since said date, then the standard of strength for such dye or other article shall conform as nearly as practicable to the commercial strength in ordinary use; that if a dye or other article was or is ordinarily used in more than one commercial strength, then the lowest commercial strength shall be adopted as the standard of strength for such dye or other article.

The general commercial practice in the United States on July 1, 1914, and prior thereto, was that dyes imported or bought and sold here were generally to be found in strengths of less than 100 per cent, because the custom of the trade demanded it. For example, practically all indigo was bought and sold as a paste of 20 per cent strength, the reason for using this dye in such weak concentration being due to the fact that it could thus be more easily handled in the dye vats. It is well known, even to the layman, that indigo in powder form is extremely light and flocculent and is exceedingly difficult either to put into solution or to hold in suspension. Naturally, the importers of indigo regarded it as commercially feasible and logical to pay both ocean and domestic freight upon 80 per cent of water to avoid the necessary difficulty and labor costs in putting solid indigo into solution or in suspension. Assuming 20 per cent indigo paste to be standard strength, it will be imported into this country under the bill at the rate of 60 per cent ad valorem and 7 cents a pound. But, in the event that these provisions continue in the bill, an importation of solid indigo entering this country would pay a rate of 60 per cent ad valorem and 35 cents a pound. It is well known commercially that solid indigo alone furnishes the base of color material for ink manufacturers and manufacturers of carpets and many branches of the heavier textile-fabric trade.

#### WATER TAXED AS DYE.

These provisions, Mr. President, are a complete innovation in tariff legislation. In effect they levy a duty upon water as if it were a dye. In other words, that chemical known as H<sub>2</sub>O, necessary for all forms of animal and plant life, which covers three-quarters of the globe, and which Mr. VOLSTEAD would make even more universal in its application, must pay a duty of 7 cents a pound when mixed with any dyes coming within the purview of paragraph 26 of the pending tariff bill. Such



provisions have never before been embodied in a tariff bill, nor were they ever before proposed. They are contrary to the fundamental principle upon which specific rates of duty are framed. The Republican Party has always advocated specific rates of duty, upon the contention that they can be assessed correctly and expeditiously. But neither the consumer nor the importer can possibly foresee what will be the specific rates of duty on dyes coming within the provisions of this section. These specific rates, it should be noted, are to be based upon findings of fact made by the Secretary of the Treasury as to the lowest commercial standard of strength for dyes on a date more than eight years ago. Five thousand different brands of dye enter into international trade, and virtually all of these dyes are bought and sold in at least two strengths and some in five and six strengths, depending upon the working conditions under which they are employed. Consumers of dyes themselves have their own ideas of practices as to the strength of dyes which they use. One manufacturer, for example, may use a certain dye in 50 per cent strength, while another may use the same dye in a 10 or 20 per cent strength; and it is easy to foresee the numerous difficulties which will be encountered by the Secretary of the Treasury in determining the lowest commercial strength as existing on July 1, 1914. He would have trouble enough, Mr. President, indeed his task would be almost impossible, if he had to ascertain the same information as of to-day; but in attempting to ascertain and establish these standards of strength as of a time eight years ago he will undoubtedly encounter so many difficulties that these provisions will be a prolific source of customs litigation.

Furthermore, in the administration of these provisions the Secretary of the Treasury must decide as to the minimum portion of the domestic consumption of a dye that can be regarded as representing that dye commercially. In other words, if practically the entire consumption of a particular dye in this country on July 1, 1914, was in the 50 per cent strength, would a single sale of that dye on that date, in a 10 per cent strength, and in a small lot, justify the conclusion that the lowest commercial strength of this dye on that date was 10 per cent?

I am well aware, Mr. President, that the reason assigned in support of these provisions is that they will prevent the importation of dyes in unusually high concentration and thus evade the protection afforded by the specific rate of 7 cents per pound. It is true that dyes of high concentration were brought over from Germany in 1916 in submarines, and this isolated instance has caused dye manufacturers of this country to insist upon these novel provisions in the pending bill. But the fact is that the standard commercial practice will be resumed whenever normalcy of trade is reestablished, that there are insurmountable difficulties in the administration of these provisions, that they place water upon the dutiable list for the first time, and that neither importers nor consumers can ever know in advance the rate of duties at which dyes should be brought in.

#### THE AMERICAN DYE INDUSTRY.

Prior to 1909 no serious effort had been made to develop the dye industry in this country. Various plants, for the production of vegetable colors chiefly, had long been in existence, and a few enterprising manufacturers had engaged in the production of the more simply obtained colors from coal-tar intermediates. But it was fully conceded that the German chemical establishments, with their larger experience, their more highly trained staffs, and their inexhaustible patience, had secured dominance in this field of commercial production. It is alleged—and by some the allegation is now made an excuse—that the textile manufacturers, especially those of New England, were enabled to exclude from the tariff bill of 1909 any adequate protective provision for the American dye industry. In 1913, however, the Underwood bill adopted the dye duties carried in the Payne-Aldrich bill. One year later, upon the outbreak of the World War, with its consequent prohibition upon our receipt of foreign dyestuffs, the dye industry of the United States procured its first firm foothold in the home market; and in 1916 its representatives came to Congress and made a showing upon which they were granted tariff protection which they said would be adequate for all time.

Their language, as quoted to the Senate on the 3d of May, 1920, by the then senior Senator from Colorado, Mr. Thomas, was as follows:

If you will give us this rate of duty within three or four years, we will be able to supply the American market with 80 per cent of its consumption, and when we have the industry thus far advanced we will fear neither God nor devil; we can beat Germany in her own market; we shall make ourselves the great dye industry of the world under this line of duties.

And they added:

We agree, if we produce 60 per cent of the home demand for dyestuffs, to the reduction of the specific duties which we now ask, graded through a term of years.

These men were taken at their word. In the act of September 8, 1916, they were granted special duties in addition to those provided by the Underwood bill in a sum of 2½ cents a pound upon certain products and of 5 cents a pound upon others. There was also inserted in this act a provision to the effect that after five years of its operation these special duties would be annually reduced by 20 per cent.

This bill remained operative for three years, but within seven months from the date of its passage we ourselves had entered the war. I need not dwell, Mr. President, upon the sordid chapter of greed and profiteering which that era of our history produced. But it is significant that immediately following the armistice the dye makers of America, engulfed in the golden flood of profits which they had secured, took steps to continue their stranglehold upon the consumers of the country.

By that time A. Mitchell Palmer had become Alien Property Custodian. In that capacity he had seized and held all German-owned patents in this country, among them, of course, being the varied formulas for the production of coal-tar dyes. Associated with Mr. Palmer in his office as head of the Bureau of Investigation was Francis P. Garvan, who himself became Mr. Palmer's successor when the latter was translated to the office of Attorney General. Mr. Palmer was originally acting under the so-called "trading with the enemy act," by the terms of which the use of enemy patents was to be exercised under license from the Federal Trade Commission, a Government agency. Later, through an amendment to the trading with the enemy act, procured November 4, 1918, the origin of which is still shrouded in mystery, provision was made for the selling of enemy property which the Alien Property Custodian supposedly held in trust.

#### SENATOR KNOX'S OPINION.

At this point, Mr. President, I digress only long enough to point out that the late Senator from Pennsylvania, although a most ardent, as he was the most intelligent, advocate of the dye embargo, never failed to inveigh against this policy where by congressional action the Government of the United States became recreant to its trust. Speaking in this body on June 30, 1921, Mr. Knox said:

I hope the day is not far away when we shall come back to the traditions of the American people that the right upon land of private property belonging to an alien enemy is a sacred right; that such property may be taken into custody only for the purpose of conservation; and that at the end of a war there shall be a strict accounting to the owners of that property by the Government of the United States, which may take it temporarily into its possession. That is one of the principles for which this country has contended for 100 years. While, as Chief Justice Marshall said, "the Congress may have the power to provide that the private property of alien enemies may be taken during a war, it can only do so by putting upon itself a moral turpitude of which we ought to be ashamed."

#### LAND PIRACY.

But this land piracy had already taken place. In the agile mind of Mr. Garvan there had arisen a "clear vision," as Mr. Palmer subsequently described it, of the vast advantage to be obtained by concentrating these alien patents in the hands of private owners, and with "indefatigable industry," if I may again use Mr. Palmer's laudatory words, Mr. Garvan worked out the plan. He sought first the American Dyes Institute and the American Manufacturing Chemists' Association to aid in the conspiracy.

The Dyes Institute, again using Mr. Palmer's words, gave "instant and enthusiastic approval," and as a result a corporation was organized, to be known as the Chemical Foundation. The first contribution to the Foundation was made in January, 1919, when practically \$10,000 was advanced by the Dyes Institute for the purpose of searching the Patent Office records. This search revealed nearly 5,000 alien-owned patents, formulas, and trade-marks, covering not only dye and chemical processes but metallurgical, scientific, and industrial formulas and patents in great number and wide variety. The mere enumeration of them in fine type occupies 102 pages of the report which Col. Thomas W. Miller, the present Alien Property Custodian, has lately submitted to Congress. And I hope I shall not violate the ethics of the hour, Mr. President, if I add that Mr. Garvan during his entire term as Alien Property Custodian never made a report of any character whatever.

I repeat, Mr. President, that Mr. Garvan never made a report; and in the Miller report to which I have just alluded, it is shown that Mr. Garvan expended \$173,757.50 for the services of expert auditors and accountants to prepare material for a report which died aborning.

#### MR. GARVAN'S VERSATILITY.

It is possible that Mr. Garvan may be excused for this dereliction because of the fact that he was simultaneously Alien Property Custodian and President of the Chemical Foundation, while during the same period he had been named and confirmed as Assistant Attorney General after his superior, Mr. Palmer, went to the Department of Justice. It is clear, therefore, that

Mr. Garvan, in these three capacities, was constantly in a position to entrap all critics, both going and coming.

The Chemical Foundation is now before the courts, and I have no desire to prejudice its case. Its president, as I have said, is Francis P. Garvan. Its board of trustees, in the first instance, comprised the advisory sales committee of the Alien Property Custodian's office—which committee passed upon and approved the sale of the patents to Mr. Garvan and themselves. Mr. Joseph H. Choate, jr., is counsel for the Chemical Foundation. He had been a dollar-a-year man in the Alien Property Custodian's office, but his connection with the Chemical Foundation has been much more profitable, inasmuch as his fees from that organization have already amounted to some \$20,000.

This should not be confused, Mr. President, with the further sum of \$52,524 paid to Mr. Choate, or his law firm, by the American Dyes Institute, of which sum \$29,999 went to Mr. Choate, personally, for fees and traveling expenses to Paris.

Associated with Mr. Choate in the Chemical Foundation is Mr. Ramsay Hogue, who was also a dollar-a-year man under Messrs. Palmer and Garvan, but who has received from the Chemical Foundation more than \$50,000 in fees.

The Chemical Foundation paid for the 4,767 patents which it bought the sum of \$250,000—an amount less than that required for their mere recording; and while the president of the Chemical Foundation sets forth in splendid language a patriotic, educational, and eleemosynary motive, the foundation's financial statement shows that it has not been wholly unmindful of more material things. Up to December 31, 1921, the Chemical Foundation had collected in royalties and license fees \$407,378, a tidy return indeed for a profit in less than three years upon an initial investment of \$250,000. With sublime effrontery, it has brought suit, making the Treasurer of the United States a defendant, to recover \$356,089, representing accrued royalties and license fees collected by the Federal Trade Commission under the trading with the enemy act. This sum, taken in connection with the latest financial statement of the Chemical Foundation, shows that within less than three years from the date of its organization the foundation has received or is seeking to obtain an income of nearly \$1,000,000, or four times its original investment. This income, Mr. President, has been obtained from the use of only a few of the 4,700 patents which the Chemical Foundation holds; and upon the wholly fair assumption that these patents will average at least 10 years more of life, it is readily deductible that the Chemical Foundation, had the President permitted it to go unchecked, would have taken at least \$3,000,000 more from the American consumer under the plea of patriotism and education.

#### MUSCLE SHOALS UNDER TRIBUTE.

In this connection I wish to point out that among the patents thus held by the Chemical Foundation and upon which in a small way it has already collected its royalties is the so-called Haber process for the fixation of nitrates. It is this process which will be used at Muscle Shoals if that ambitious project shall ever be carried to completion, and I wish particularly to call the attention of the junior Senator from North Dakota and others who support Mr. Henry Ford's proposal to the fact that the farmers of the country have been thus marked for tribute by the Chemical Foundation, and that a vote by them to retain the dye embargo provision in this bill is a vote to sustain the abhorrent program against which I am speaking.

I have called attention to the fact that this bill contains a duty on water. All Senators will remember that we have placed a duty upon sand. In the particular matter which I am now discussing, the Chemical Foundation will levy a tax upon the air. Thus, Mr. President, we shall find all the elements of the universe, the air, the water, and the solid earth, placed under tribute.

Mr. President, the figures which I have just quoted in part are contained in detail in a tabulation furnished to me by the Federal Trade Commission, and I ask permission at this point that that table and the accompanying letter from Chairman Gaskill, of the commission, may be inserted in my remarks without reading.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

FEDERAL TRADE COMMISSION,  
OFFICE OF THE CHAIRMAN,  
Washington, July 7, 1922.

Hon. GEORGE H. MOSES,  
United States Senate, Washington, D. C.

MY DEAR SENATOR MOSES: I am responding to your letter of June 26 in which you ask to be furnished with a list of the products of manufacturers under patents sold by the Alien Property Custodian to the Chemical Foundation (Inc.) and the amounts of royalties received by the Federal Trade Commission thereon.

The Federal Trade Commission has never received any royalties, since under the statute such royalties are payable to the Alien Property Custodian. The Federal Trade Commission has, however, audited the books of its licensees and the payments made to the Alien Property Custodian for the purpose of ascertaining whether the proper amounts have been paid, and, of course, has kept itself informed as to the making of proper payments as a prerequisite to the cancellation of any licenses issued by it.

Accompanying this letter you will find a tabulation showing the name of the licensee, the product, the total royalty accrued both prior and subsequent to the transfer of the patents to the Chemical Foundation. These figures do not represent and must not be confused with aggregate royalties accruing under all licenses of the same nature or otherwise, as these figures refer only to such patents as have been assigned to the Chemical Foundation.

The figures do not in every instance show the full amount involved as of a closing of the books on this date because a number of reports covering the semiannual accounting period ended July 1, 1922, have not yet been received, and are not herein included.

I trust that this is the information which you desire, and that it will serve your present purposes. If not the commission will be very glad to furnish you such other information which you may desire as is in its possession.

Cordially yours,

NELSON B. GASKILL, Chairman.

Royalties accrued under Federal Trade Commission licenses covering patents transferred to Chemical Foundation (Inc.).

Licensee.	Product.	Total royalty accrued.	Accrued prior to transfer to foundation.
The Dermatological Research Laboratories, Philadelphia, Pa.	Arsphenamine and Neo (introduced as "Salvarsan" and "Neo-Salvarsan," respectively).	\$87,975.39	\$35,447.73
Takamine Laboratory (Inc.), New York City.	Do.	8,321.31	1,574.92
Farbwerke - Hoechst Co., New York City.	Arsphenamine (introduced as "Salvarsan").	6,203.23	6,203.23
Do.	Neo-Arsphenamine (introduced as "Neo-Salvarsan").	None.	None.
Do.	Procaine (introduced as "Novocain").	3,812.38	3,812.88
Do.	Do.	8,355.22	5,756.77
Rector Chemical Co., New York City.	Sewage treatment (Imhoff).	12,954.20	7,842.80
Pacific Flush Tank Co., Chicago, Ill.	Arsphenamine and Neo (introduced as "Salvarsan" and "Neo-Salvarsan," respectively).	31,882.35	17,008.61
Darsenol Co. (Inc.), Buffalo, N. Y.	Do.	3,946.52	1,638.20
The Abbott Laboratories, Chicago, Ill.	Procaine (introduced as "Novocain").	47,178.92	21,603.73
Lembcke, von Bernuth Co. (Inc.), (now Bernuth Lembcke Co. (Inc.), New York City.	Impregnation of wood (Rüping).	None.	None.
Calco Chemical Co. (Inc.), Bound Brook, N. J.	Procaine (introduced as "Novocain").	107.49	None.
French Battery & Carbon Co., Madison, Wis.	Galvanic cells.	None.	None.
The Abbott Laboratories, Chicago, Ill.	Phenyl cinchoninic acid.	9,064.48	138.83
E. I. du Pont de Nemours & Co., Wilmington, Del.	Anthracene dyes.	10,103.88	None.
Do.	Solid hydrosulfites.	None.	None.
Do.	Indigo.	61,884.98	None.
Do.	Sulphur dyes.	None.	None.
Do.	Azo dyes.	None.	None.
Albert B. Moses, Seattle, Wash.	Artificial milk.	1.10	None.
F. L. Smith & Co., New York City.	Ball mill.	None.	None.
E. C. Klipstein & Sons Co., National Aniline & Chemical Co., New York City.	Solid hydrosulfites.	26.42	21.81
Do.	Anthracene dyes.	88.62	None.
Do.	Indigo.	None.	None.
Do.	Sulphur dyes.	17.11	None.
Do.	Azo dyes.	4,284.80	146.29
The Stearns-Roger Manufacturing Co., Denver, Colo.	Drying cylinder.	None.	None.
Merrimac Chemical Co., Boston, Mass.	Solid hydrosulfites.	382.27	None.
H. A. Metz Laboratories (Inc.), New York City.	Arsphenamine (introduced as "Salvarsan").	34,684.81	13,408.59
Do.	Neo-Arsphenamine (introduced as "Neo-Salvarsan").	102,836.97	3,639.63
Do.	Procaine (introduced as "Novocain").	21,097.82	7,901.30
General Ceramics Co., New York City.	Absorption tower.	953.03	292.39
E. C. Klipstein & Sons Co., New York City.	Tanning agents.	7,921.77	3,221.20
Merck & Co., New York City.	Digitalis extract.	6,928.61	77.88
The Draeger Oxygen Apparatus Co. (now American Atmos Corporation) Wilkesburg, Pa.	Artificial breathing apparatus, method causing artificial respiration.	382.88	246.50
Do.	Do.	661.25	504.50
Do.	Battery for absorbing carbonic acid, such as used in breathing apparatus.	3,570.67	2,661.83
Do.	Portable breathing apparatus universal coupling.	36.06	7.28
Do.	"Pulmotor" (trade-mark).	300.00	33.00



## Royalties accrued under Federal Trade Commission licenses, etc.—Con.

Licensee.	Product.	Total royalty accrued.	Accrued prior to transfer to foundation.
Reinschild Chemical Co., Manhattan, N. Y.	Agar-Agar cascara product; Agar-Agar cascara product and process of making same.	\$10,678.21	\$1,728.34
Arma Engineering Co., New York City.	Gyroscopic compasses.....	None.	None.
The Ault & Wiborg Co. (transferred to Cincinnati Chemical Works (Inc.)), Cincinnati, Ohio.	Red azo lake.....	3,254.34	712.06
Central Dyestuff and Chemical Co., Newark, N. J.	Red azo lake and process of making same.	None.	None.
Ultron Chemical Corporation, New York City.	Blue red lake and process of making same.	3,946.44	192.47
Consolidated Color and Chemical Co., New York City.	Vat dyestuff.....	None.	None.
Do.....	Blue vat dyestuff, and process of making same.	None.	None.
Do.....	Red violet dye, and process of making same.	None.	None.
Do.....	Red vat dye.....	None.	None.
Do.....	Vat dye and process of making same.	None.	None.
Do.....	Violet blue vat dyestuffs....	None.	None.
Do.....	Vat dye coloring matter.	None.	None.
Division of Laboratories and Research of New York State Department of Health, Albany, N. Y.	Arsphenamine (introduced as "Salvarsan").	291.03	None.
Semet-Solvay Co., Solvay, N. Y.	Manufacture of ammonia....	None.	None.
Massachusetts State Department of Health, Boston, Mass.	Arsphenamine (introduced as "Salvarsan").	762.64	11.14
Horatio Nelson Fraser (transferred to Chemical Refining Syndicate), Brooklyn, N. Y.	Process of preparing camphor.	None.	None.
Green & Bauer, Hartford, Conn.	Process and apparatus for producing Roentgen rays, Roentgen ray tube.	None.	None.
The Sperry Gyroscope Co., Brooklyn, N. Y.	Gyroscopic compasses.....	None.	None.
Total.....		491,855.70	135,765.91

## SUMMARY.

Aggregate accrued under licenses.....	\$491,855.70
Total accrued prior to transfer to foundation.....	135,765.91
Total accrued since foundation took title.....	356,089.79

[NOTE.—The above figures do not represent full amount involved as a number of reports are not yet in for the semiannual accounting period ending July 1, 1922.]

Mr. MOSES. Mr. President, whatever the result of the Government proceedings against the Chemical Foundation, I shall always believe that it was conceived in conspiracy and fostered by falsehood. The conspiracy, as I believe, was formed by Mr. Garvan, his associates in the office of the Alien Property Custodian, and certain of the dye manufacturers of this country. It is most improbable that Mr. Garvan, being chief of the bureau of investigation in the Alien Property Custodian's office, should not have had considerable knowledge of the value of the patents which he sold to himself. As a matter of fact, Mr. President, Mr. Garvan's coconspirator, Mr. Choate, testified before the House Committee on Ways and Means, with regard to the subject of the dye embargo, that, by virtue of the positions which they held, both he and Mr. Garvan had knowledge of the large profits which had been made by the alien owners of these patents.

Mr. Garvan must have known also that on December 12, 1918, four months prior to the sale of these patents to the Chemical Foundation, but only a month prior to the search of the Patent Office to which I have referred, the Alien Property Custodian had sold 1,200 dye and pharmaceutical patents which had belonged to the Bayer Co. to the Sterling Products Co., of West Virginia, and to the Grasselli Co., of Ohio, for the not inconsiderable sum of \$5,310,000, or more than twenty times what Mr. Garvan paid to himself for four times that number of patents.

Nor could Mr. Garvan have been ignorant of the sale of the stock and rights of the Heyden Chemical Works, which Mr. Palmer first bargained to dispose of to the Monsanto Chemical Works, of St. Louis, for \$605,000—a sum so absurdly low that even the pliable advisory sales committee refused to approve it—and the property was later sold to Allen A. Ryan, of New York, for more than \$1,000,000. It may be relevant to add, Mr. President, that the Monsanto Chemical Works which had been thus favored was a member of the American Dyes Institute and a contributor to its funds; and it may be pertinent to say further that this company has been on both sides of the dye embargo question, but finally landed firmly on the side where

its larger material obligation lay. It is also a member of the Chemical Foundation.

Mr. President, I now turn to the orgy of falsehood with which the Chemical Foundation camouflaged its real purpose.

The Chemical Foundation was organized in the winter of 1919. On April 10 of that year it took its first title to the patents upon which have been collected nearly \$1,000,000 in royalties. On February 26 the papers which had been carefully prepared for his signature were executed by Acting Secretary of State Polk, and one week later Mr. Garvan became Alien Property Custodian. As such, on April 10, he sold to himself for \$250,000 property whose earning capacity thus far disclosed indicates it to have been worth many millions.

## THE VALUE OF THE PATENTS.

In fact, Mr. President, the total value of patents and trademarks controlled by the Chemical Foundation can hardly be less than \$20,000,000. These patents cover many lines of production, chief among them being:

Vat and other dyes, salvarsan and other medicinals, optical and therapeutic instruments, nitrogen products, tanning materials, synthetic camphor, alloys, and cellulose products.

There are also hundreds of miscellaneous patents covering nonchemical products which unquestionably are valuable, but of which there is no definite knowledge, except that Mr. Choate testified that the profits from them were very large.

According to the financial statement of the Chemical Foundation which was filed by Mr. Garvan with the Shortridge committee, the foundation, up to January 1, 1922, had collected royalties amounting to \$407,000. The Federal Trade Commission advises, in the letter which I have already presented, that the Alien Property Custodian has received royalties as of July 1, 1922, amounting to \$491,855.70 under licenses covering the patents controlled by the foundation. It is thus evident that \$898,000 has been paid in royalties on German dye and chemical patents since the passage of the trading with the enemy act, or during the past four years. Since very few licensees were able to manufacture in any appreciable quantity during the first year of the trading with the enemy act, it is evident that practically this entire amount of \$900,000 was collected within the last three years. It follows, therefore, that the Alien Property Custodian and the Chemical Foundation have obtained approximately \$300,000 a year as royalties from licenses issued under the patents now controlled by the foundation, or an annual income greater than the whole purchase price, which was only \$250,000.

The royalties collected under these patents have increased each year, and they soon will undoubtedly considerably exceed the \$300,000 per year now received, though this sum represents a handsome return on an investment of at least \$5,000,000. Under date of July 5, 1922, the Journal of Commerce published an interview with former Alien Property Custodian A. Mitchell Palmer, in which he was reported to say: "We could have sold at least one of those patents for \$10,000,000 if we had wanted to revert back to the same conditions as when Germany held control." Royalties amounting to \$276,000 have been collected under the salvarsan patents, indicating total sales of over \$5,000,000 of this well-known medicinal agent. The royalties under this one patent alone have exceeded the purchase price of the entire 4,700 dye and chemical and other patents. Licenses for the manufacture of novocain, a well-known local anesthetic, have yielded royalties of \$37,000, indicating sales of \$700,000. One concern alone paid \$5,000 royalties on atophan, and another firm \$9,000 on this same coal-tar medicinal product. The return of \$5,000 was based on a license fee of 2½ per cent of the total sales of atophan; but a fee of 5 per cent was charged by the Chemical Foundation on salvarsan, the only recognized cure for the most deadly scourge of mankind.

It may be pertinent to interject that atophan is a cure for gout, and perhaps the projectors of the Chemical Foundation sought to favor themselves by the lower license fee which they placed upon that remedy.

The foundation has generally demanded royalties ranging from 2 to 5 per cent on products made in this country under patents which it controls, and at the same time it has collected royalties of 10 per cent on imported products covered by the same patents. This policy of charging a royalty two to five times larger on imported products than on those of domestic manufacture has been applied to medicinal preparations regardless of the fact that this royalty unquestionably is paid by the ultimate consumer—the poor and the sick.

## WRITES ITS OWN TARIFFS.

The foundation charges a license fee of \$100 for the use of any trade-mark to which it claims ownership and an additional royalty of 1 per cent of the total business in the product sold under such trade-mark. The foundation has a fixed royalty

charge of 1 per cent for the use of trade-marks on products of domestic manufacture, but its royalty charges are many times greater than this on imported products—no doubt as much as the traffic will bear—so that we have here an instance where a private corporation is enabled to write and enforce tariff rates at its own sweet will.

I know of at least one instance where the Chemical Foundation imposed an import royalty for the use of a trade-mark on a well-known medicinal agent which was twenty times higher than the royalty for the domestic manufacturer of the same product. And this, Mr. President, in the name of philanthropy and amidst a flow of crocodile tears for the sick who are to be benefited by the Chemical Foundation's activities, activities carried on, I may add, under well-established and extremely lucrative royalty payments.

These royalties have been imposed upon all imported products coming under patents which the foundation controls regardless of the nature of the product or the ultimate consumer. Not only has the foundation collected its royalty of 10 per cent on the importation of medicinal products but it has exacted the same royalty on optical and therapeutic instruments, even though imported specifically for the use of hospitals, institutions for the care of the poor and the sick, laboratories, scientists, and institutions of learning. How alluring, Mr. President, may education and philanthropy become when, as in the case of the Chemical Foundation, they are supplemented by an air-tight royalty.

It should be borne in mind, Mr. President, that the sums represented in the income figures which I have quoted have been derived from only 68 of the 4,700 patents which Mr. Garvan is trying defiantly to withhold from the Government. Is it not pertinent to ask how much the other 4,632 will produce? Other details of the conspiracy I leave to be developed by the Department of Justice, which, I am confident, is not to be pulled off its task by any sort of pressure.

I now beg leave, Mr. President, to read the substance of a conversation had with a former Federal official whose name I do not intend to disclose at this time, but whose testimony in full will undoubtedly be used by the Government when the Chemical Foundation case is heard in court:

The trading with the enemy act conferred upon the Federal Trade Commission authority to license the use of all enemy patents seized under the authority of that act. About April, 1919, the Federal Trade Commission began receiving letters from time to time asking permission to cancel licenses running from the commission and explaining that the writers desired to take licenses with the Chemical Foundation. This caused the officers of the Federal Trade Commission to investigate in order to determine just what the Chemical Foundation was. Up to that time they had no definite information except that it was some sort of a private corporation which claimed to be organized for a beneficial purpose.

Before the investigation had proceeded very far the commission was surprised to learn that the licensees who had applied for permission to cancel their licenses were being informed by officers of the Chemical Foundation that the Federal Trade Commission was acting in accord with the Chemical Foundation, and that the cancellation of the licenses as proposed would be acquiesced in by the Federal Trade Commission. Further inquiry brought out a letter which had been sent to these licensees, over the signature of Ramsay Hognet, who was special patent counsel for the Chemical Foundation, in which he advised licensees of the Federal Trade Commission that the commission approved of what he was doing and that it was entirely agreeable to the Federal Trade Commission to have the licensees cancel their licenses and execute new licenses to the Chemical Foundation.

This letter of Mr. Hognet created great surprise in the Federal Trade Commission, as no one had given him any such authority and the statements he had made were untrue. Thereupon, Mr. Hognet was asked to come to Washington, and, after an interview with one of the officers of the Federal Trade Commission, admitted he had acted hastily and upon insufficient information in thus writing to licensees of the Federal Trade Commission, and he agreed to recall the letters and withdraw the statements. Whether he did so or not is not known.

#### WAS POLK DECEIVED?

Subsequently, when it became necessary for the Chemical Foundation to secure an Executive order approving its course, the Federal Trade Commission learned that Frank L. Polk, Acting Secretary of State (in the absence of Secretary Lansing and President Wilson in Europe), had signed an executive order prepared by the Chemical Foundation and submitted to him by it. Inquiry of Mr. Polk, propounded by one of the officers of the Federal Trade Commission at the request of Mr. Houston Thompson, a member of the commission, elicited the fact that the same misrepresentations had been made to Mr. Polk by the Chemical Foundation as had been made to the licensees of the Federal Trade Commission regarding the attitude of the commission toward the foundation. Mr. Polk explained that he signed the executive order after a hurried reading of it, upon an assurance that the action to be taken was with the full approval of the Federal Trade Commission—a statement which was untrue. Mr. Polk seemed very much disturbed and held several conferences with Federal Trade Commission officers over the telephone and finally intimated very strongly that he had been made the victim of false representations to induce his signature to the executive order—an order, it must be remembered, prepared by the Chemical Foundation.

It is well known that there were many clashes between the Federal Trade Commission and the Chemical Foundation. The commission always insisted that the action of the foundation in acquiring valuable industrial patents, such as improvements upon the gyroscope and other patents of that sort, was entirely foreign to the avowed purpose of the

organization, inasmuch as these patents had no relation to the chemical industry.

In the course of its investigation the Federal Trade Commission learned that the Chemical Foundation had made other representations to licensees to induce them to cancel their licenses running to the commission and to take licenses from the foundation. Among these representations was that made by Mr. Hognet that the Chemical Foundation could render a service to foundation licensees which the Government could not render, in that they stood ready to defend any action brought in the courts by the former German owners against licensees on account of the use of the patents. This statement was a surprise to the Federal Trade Commission, which has a staff of law officers and to which the Department of Justice would be available in a matter of that kind. Apparently, Mr. Hognet saw an opportunity to offer his professional services for this gigantic undertaking, and it would appear that the Chemical Foundation was not overscrupulous about the representations it made in order to break up the arrangement between the Federal Trade Commission and its licensees and to take over the business for the Chemical Foundation.

In corroboration of the memorandum of conversation which I have just read I now present a copy of a letter written in June, 1919, by an officer of the Chemical Foundation:

You are now the holder of certain licenses from the Federal Trade Commission under letters patent which have been seized by the Alien Property Custodian and sold to the Chemical Foundation (Inc.). The Chemical Foundation thus becomes entitled to receive the royalties paid for the use of such patents.

In order to make the record clear, we have arranged with the Federal Trade Commission to accept a surrender of your license from the Federal Trade Commission and to issue you a license on the same terms from the Chemical Foundation (Inc.). It may be that the Chemical Foundation will be able to issue you a license at a later date in the uniform form which it proposes to issue to all of its licensees instead of that you now hold.

I may add that, aside from regularizing the situation, there are advantages in surrendering your Federal Trade Commission license in that the royalties paid under a license from the Chemical Foundation (Inc.) are not subject to review by a court, as in the case of a license granted by the Federal Trade Commission, and royalties paid by you will go to the advancement of the chemical industry instead of being held for the benefit of the enemy.

The surrender of your license may be in the form of a letter addressed to the Federal Trade Commission, Washington, D. C., attention of Mr. Francis M. Phelps. If you will notify me when you have made the surrender, I will proceed to have a license issued by the Chemical Foundation (Inc.) immediately.

The licensee to whom this letter was addressed immediately communicated with the Federal Trade Commission, and under date of June 26, 1919, the Hon. Victor Murdock, of Kansas, acting chairman of the commission, made reply as follows. The subheads in the letter are Mr. Murdock's and not mine.

A number of those holding licenses with the Federal Trade Commission by virtue of the authority vested in the commission under the trading with the enemy act and the Executive order of October 12, 1917, in re enemy-owned patents, etc., have notified the commission that they have been requested by the Chemical Foundation (Inc.) to relinquish the said licenses and in lieu thereof to accept licenses from the Chemical Foundation (Inc.). The Chemical Foundation (Inc.), through its attorney and representative, Mr. Hognet, has appeared in person before the commission and asked for an expression from the commission as to its disposition in this matter. In response to these inquiries the commission makes the following statement for your consideration:

#### LICENSE GRANTED BY THE COMMISSION.

By virtue of the authority vested in it by the act of Congress approved October 6, 1917, known as the trading with the enemy act, and the Executive order of October 12, 1917, vesting it with authority to administer said act, the Federal Trade Commission granted licenses thereunder for the life of the patent, unless otherwise stated, and upon payment to the Alien Property Custodian of a certain royalty. Under said license the commission reserved the power to terminate and cancel the license in whole or in part. It is this license that the Chemical Foundation now requests you to surrender, and in lieu thereof to apply for one to be issued by it.

#### THE CHEMICAL FOUNDATION (INC.).

At the suggestion of the commission, the Hon. Ramsay Hognet, counsel for the Chemical Foundation (Inc.), has made the following statement of the objects and purposes of the said foundation:

"The Chemical Foundation is a corporation to which the Alien Property Custodian, acting under the authority of the President, has sold all of the formerly enemy-owned patents relating to dyes, chemicals, and related subjects. The stock of the Chemical Foundation is divided into \$400,000 of preferred nonvoting stock, which it is expected will be redeemed within a very short time, and \$100,000 worth of common stock, the dividends on which are limited to 6 per cent. This stock is sold in very small lots and is as widely distributed as possible throughout the industries affected by the patents. In order to prevent control falling into the hands of any one group, the stock is made nontransferable except by leave of the board of directors, and is placed in a voting trust for a period of 17 years. The voting trustees are the gentlemen who have been serving as the advisory sales committee to the Alien Property Custodian—Otto T. Barnard, Esq. (chairman the New York Trust Co., New York); Hon. George L. Ingraham (late presiding justice appellate division, first department, New York Supreme Court); Cleveland H. Dodge, Esq.; B. Howell Griswold, Jr., Esq. (of Alexander Brown & Sons, Baltimore); Ralph Stone, Esq. (president Detroit Trust Co., Detroit, Mich.). The officers and directors of the foundation are as follows: President, Mr. Francis P. Garvan (the Alien Property Custodian); vice president, Col. Douglas I. McKay (late colonel, General Staff, vice president of J. G. White & Co. and deputy police commissioner of the city of New York under Mayors Gaynor, Kline, and Mitchell); treasurer and secretary, Mr. George J. Corbett (assistant secretary Central Union Trust Co.).

"It is the purpose of the Chemical Foundation to issue nonexclusive licenses on equal terms to all properly qualified American manufacturers and to enforce the patents against infringement by the importation and sale of the patented product made abroad. The royalties charged are to be fixed after consideration of all the facts surrounding the manufacture of the patented product, and will be at a reasonable rate. The



royalties will be used to retire the preferred stock and for the encouragement of chemical industry in the United States. Directors of the Chemical Foundation hope to make it a central body and point of contact for the entire chemical industry and the means of conducting research for the benefit of the industry as a whole.

"The sale to the Chemical Foundation by the Alien Property Custodian having been made unconditionally, no rights are reserved to the former enemy owner of the patents, and under section 7 (c) of the trading with the enemy act as amended November 4, 1918, his only recourse appears to be against the proceeds of the sale from the Alien Property Custodian to the Chemical Foundation. It is the opinion of counsel for the Chemical Foundation that the alien enemy has no right of action whatever against the licensee under a license issued by the Chemical Foundation.

"The Chemical Foundation will issue licenses at the rate of royalty now paid to all licensees of the Federal Trade Commission who apply to the commission for a surrender of their licenses, and the surrender of whose licenses is accepted by the commission."

The commission is informed that on July 1, 1919, the Alien Property Custodian will cease to be a member of the Chemical Foundation (Inc.); that thereafter there will be no connection whatsoever with the United States Government, and that its licensees will be governed by the terms of the license issued by it.

#### LICENSE OF THE CHEMICAL FOUNDATION (INC.).

There is herewith inclosed a copy of the form of license of the Chemical Foundation (Inc.). A comparison of the form of license of the Chemical Foundation (Inc.) and that of the Federal Trade Commission will reveal a number of differences, several of which are herewith referred to.

According to section 2 thereof, the licensee will not be permitted to import into the United States from any country "any product which is covered by any of said patents or sell in the United States, its Territories or dependencies, any such product made outside of the United States."

By section 13 of said form of license there is reposed in the foundation the exclusive discretion of determining not only whether the licensee has lived up to the terms of the license but the foundation also reserves to itself the right to judge of the qualifications of the licensee at the time of the application and at all times after granting the same, according to the several sections of the said form of license.

#### ALTERNATIVES OFFERED TO LICENSEE.

The licensee has the privilege of electing one of the following three alternatives:

(a) The licensee may retain its Federal Trade Commission license and operate thereunder for the life of the patent unless otherwise specified, subject to the powers of revocation provided by the Federal Trade Commission license. Or

(b) The licensee may retain its license with the Federal Trade Commission and at the same time apply for one from the Chemical Foundation (Inc.). Should the latter be granted, the licensee may operate under both of said licenses, but subject to either the Federal Trade Commission or the Chemical Foundation (Inc.), or both, according to the terms of the respective licenses. Or

(c) The licensee may surrender its Federal Trade Commission license and thereby withdraw from the protection of the trading with the enemy act and apply for a license from the Chemical Foundation (Inc.), and in the event of issuance of the same operate thereafter under the control of the said foundation as a private corporation, according to the terms of the license issued.

A surrender of license will not be acted upon by the Federal Trade Commission where the licensee is a corporation until a written request is addressed to it by the properly authorized officers of the licensee, together with a resolution of the board of directors authorizing the said request. In the case of licensees not incorporated the request must be in writing, signed by the proper parties. The cancellation of a license will not take place until the commission has acted upon the request and informed the licensee of its action.

Attention is called to the fact that the commission does not have knowledge at this time of the effect of the treaty of peace now being negotiated at Paris upon the same patents or sales or licenses thereunder. It therefore points out that until the treaty of peace is executed and the effect thereof on patents and licenses is known the licensee may well consider whether he shall surrender the Federal Trade Commission license.

By direction of the commission:

VICTOR MURDOCK,  
Acting Chairman.

Mr. MCCORMICK. Mr. President, will the Senator give us the date of the letter he has just read?

Mr. MOSES. June 26, 1919. I gave the date at the beginning of the reading of the letter.

Mr. MCCORMICK. What was the date of the organization of the Chemical Foundation?

Mr. MOSES. It took title to its patents April 10, 1919.

Acting upon this counsel, and in view of the falsehood with which the Chemical Foundation had thus inaugurated its career, many of these licensees have continued production under the thoroughly legal licenses issued by the Federal Trade Commission and have continued paying to the Alien Property Custodian the royalties and license fees which the Chemical Foundation is now suing the Government to recover.

In pursuance of the educational purpose which the Chemical Foundation so unctuously advertises it is to follow, it has expended nearly \$300,000; the sole intention of which was to bolster the propaganda for the dye embargo which we are now considering. Pamphlets, beautifully printed upon expensive paper and bound in rich and costly fashion, have swept over the land like a wave of the poison gas regarding which the dye makers of America have loudly declaimed but a pound of which they never produced, and which the United States has made illegal by solemn treaty engagements. Nearly 60,000 copies of a strikingly interesting book entitled "Creative Chemistry" were distributed to members of women's clubs, the American Legion, to newspapers, to colleges, to agricultural agents, to dye consumers, to authors, to scout masters of boy scouts, and to what

Mr. Joseph H. Choate, jr., euphemistically calls "prominent men," but who, in the form letter which accompanied each of these 60,000 books, were designated as "millionaires." I suppose, Mr. President, I may interpolate the suggestion that, in the minds of the great dye makers and the avaricious Chemical Foundation, no man can be prominent unless he possesses a million dollars.

#### NOT A GOVERNMENT AGENCY.

In each of these letters appears in one form or another the false statement that the Chemical Foundation is a Government agency. Thus, in the letter to women's clubs, it is asserted that "the Chemical Foundation is a quasi-public corporation formed by the Government;" in the letter to the American Legion, keyed in the foundation lists as the "dough-boy" letter, it is asserted that "the Chemical Foundation was formed by the Government;" in the letter to consumers, keyed as "textile form," it is declared that "the Chemical Foundation is formed at the suggestion of the Government;" in the letter to consumers, keyed as "club form," the Chemical Foundation is again held up as a "quasi-public corporation formed at the suggestion of the Government;" in the letter to scout masters of the Boy Scouts, the function of the foundation is described as "simply to lay before you the facts in America's critical chemical situation to-day;" while, in the letter to the millionaires, the foundation resumes its more familiar form of "a quasi-public corporation formed by the Government." In addition these letters, particularly that addressed to club women, stress the "necessity" for the foundation, but no letter contains any reference to the necessities of Mr. Garvan and his coconspirators. The letter to manufacturers in both forms begins with the assertion that at the request of the foundation, "The United States Tariff Commission is sending" a report bearing upon the subjects dear to the foundation's heart. This statement, evidently designed to bolster the original falsehood of the foundation's governmental character, is wholly untrue. I read from a letter under date of June 29, 1922, signed by Hon. Thomas O. Marvin, chairman of the United States Tariff Commission:

A careful search of our files fails to uncover any letter received by the Tariff Commission from the Chemical Foundation (Inc.), of 81 Fulton Street, New York City, containing a request that the Tariff Commission send to a list of names suggested by the foundation, copies of our census of dyes and coal-tar chemicals, 1920.

It is, of course, possible that the Chemical Foundation sent to the Tariff Commission a letter in which they state: "At our request the United States Tariff Commission is sending to you copy of its report showing the progress of the American coal-tar industry up to June 30, 1920." We are, of course, in no way responsible for this statement. No such request was made of the Tariff Commission, and your letter gives us the first intimation in regard to it.

In the letter to millionaires, Mr. Garvan asserts that he is the president of the Chemical Foundation, and that "Thomas W. Miller, Alien Property Custodian, is its vice president;" and a letterhead of the foundation upon which is written a letter under date of May 18, 1921, carried Mr. Miller's name as such officer. Having known Colonel Miller intimately and affectionately for many years, and having a thorough knowledge of his high character and of his personal and public probity, I knew also that he would lend neither his character, his name, nor his official position to a scheme like the Chemical Foundation; and in confirmation of my belief, I read now a letter written by Colonel Miller:

To whom it may concern:

At no time was I an officer or director, or did I have any interest, own or control any stocks, bonds, or other evidence of interest or ownership in the Chemical Foundation (Inc.), nor have I at any time been officially or unofficially connected in any manner with this corporation. I was informed that the board of directors of the Chemical Foundation (Inc.) had elected me an official and that my name appeared on the door of the New York office as one of its vice presidents. When first informed of this action I requested the removal of my name from the door and asked that the board of directors rescind the action taken. I am reliably informed that my request was immediately complied with.

THOMAS W. MILLER.

#### ASSAULTING THE YOUTHFUL MIND.

More insidious, however, Mr. President, than the attempt thus made to mislead the millionaires of the country was the Chemical Foundation's onslaught upon the minds of America's children as represented in the membership of the Boy Scouts. To the scout masters of the country, numbering 16,796, and in a position to influence the minds of hundreds of thousands of the rising generation, the foundation sent not only copies of "Creative Chemistry," but a pamphlet which they described as "the latest publication of the United States Bureau of Education," entitled "Treasure Hunting of To-day," a title, I may interpolate, suited to the Chemical Foundation, whose chase for treasure has been persistent.

Wishing to know to what extent the Chemical Foundation had wound its tentacles about the educational system of the country, I wrote on June 26, 1922, to the Commissioner of Education, as follows:

Some time during the month of May, 1921, the Chemical Foundation, with offices at 81 Fulton Street, New York City, distributed a certain pamphlet prepared by the United States Bureau of Education. I do not know the subject matter contained in this pamphlet, but inasmuch as it was very widely distributed I assume you will have no difficulty in identifying it. I am writing to ask if you will not be good enough to send me a copy of the document.

This led to an interesting correspondence, for on June 29, 1922, Commissioner Tigert replied to me as follows:

In reply to your letter of June 26, I take pleasure in sending herewith a copy each of two pamphlets, entitled, respectively, "Treasure Hunting of To-day and Chemistry in Our Schools" and "The Education of the Research Chemist," both of which were prepared by Mr. Robert E. Rose. I believe that one of these is the publication to which you refer.

This was the first intimation I had received of the existence of the pamphlet, "The Education of the Research Chemist," and it interested me greatly. From it I learned that its author was R. E. Rose, of the "chemical department of the E. I. du Pont de Nemours Co., Wilmington, Del." The pamphlet was further adorned with Mr. Rose's portrait, and stamped upon it in a manner to indicate that it was an official publication of the department were the words "Department of the Interior, Bureau of Education." Accordingly I again wrote to Commissioner Tigert, as follows:

I thank you for your prompt reply to my letter of June 26 and for the copies of "Treasure Hunting of To-day and Chemistry in Our Schools" and "The Education of the Research Chemist," which you inclosed.

In connection with the publication and distribution of these two pamphlets there is certain information I would like to have. Will you please advise me how the pamphlet entitled "The Education of the Research Chemist" happens to be in your bureau for distribution, how many copies of the pamphlet were sent to you, where it was printed, and who paid for the printing. I note the cover page has the following thereon:

DEPARTMENT OF THE INTERIOR,  
Bureau of Education.

[Reprinted from the Journal of Industrial and Engineering Chemistry, vol. 12, No. 10, p. 947, October, 1920.]

THE EDUCATION OF THE RESEARCH CHEMIST.  
(By Robert E. Rose.)

Anybody receiving a copy of this pamphlet would naturally think it was reprinted by the Department of the Interior, Bureau of Education. I assume you must have in your files copies of whatever correspondence you have had in connection with the receipt and distribution of this pamphlet, and I would greatly appreciate it if you would send me a copy of same, together with a copy of the mailing list, if any, that was used for the distribution of this pamphlet.

Will you also advise me how the manuscript of the pamphlet entitled "Treasure Hunting of To-day and Chemistry in Our Schools" came into the possession of the Bureau of Education, and at whose suggestion it was printed as a Federal publication? I would also like to know the number of copies of this pamphlet that you have sent out; the name of the party or organization suggesting said distribution, and the mailing list used in connection therewith.

Will you also advise me as to whether Robert E. Rose is now or ever has been connected with the United States Bureau of Education?

On July 5, 1922, the Acting Commissioner of Education, Mr. Kalbach, answered the foregoing letter, as follows:

All the correspondence relating to the distribution of the document "Treasure Hunting of To-day and Chemistry in Our Schools" appears to be in the files of this bureau. The arrangements were made, however, very largely in personal conferences between Dr. P. P. Claxton, who was then Commissioner of Education, and Mr. Keohan and Mr. Mead, who represented the Chemical Foundation. Doctor Claxton seems to have "outlined" the pamphlet, which was actually written by Robert E. Rose, formerly assistant professor of chemistry in the University of Washington, but at that time in the chemical department of E. I. du Pont de Nemours & Co. He was never employed in the Bureau of Education.

The whole purpose of the pamphlet was to stimulate the study of chemistry in this country. It appears from memoranda and letters in the files that chemists of high standing were consulted in regard to the matter. Among these were Dr. Charles Parsons, of the Bureau of Mines; Dr. Treat B. Johnson, of the Sheffield Scientific School of Yale University; and Doctor Howe, of the National Research Council. A letter urging the publication was received from Doctor Johnson, but the recommendations of Doctor Parsons and Doctor Howe, if there were any, were made orally.

It is evident that Doctor Claxton was convinced of the desirability of issuing the document, for it was printed with the "Department of the Interior, Bureau of Education," on the title-page, and it was mailed from the Bureau of Education under the bureau's penalty envelopes. It was not printed by the bureau, but 30,000 copies were received from the Chemical Foundation, and they were sent to the following mailing lists:

State superintendents of public instruction.  
County and township superintendents of schools.  
Superintendents of city schools.  
Principals of public high schools.  
Principals of private secondary schools.  
Principals of normal schools (four copies to each).  
Presidents of universities and colleges (five copies to each).  
The pamphlet was very favorably received, for a considerable number of requests came later from persons who desired from 25 to 100 copies each. These were supplied from stock which remained from the 30,000 copies after the main distribution. A few copies still remain in the office.

With reference to the pamphlet, "The Education of the Research Chemist," the correspondence on file shows that 300 copies were sent to this bureau by the author and that they were mailed to the libraries of the larger universities and colleges under Doctor Claxton's instructions. The pamphlet was not reprinted by this bureau. The 300 copies were donated to the bureau, and after they were received here "Department of the Interior, Bureau of Education," was stamped on each copy to

show that it was the property of the bureau. I do not know where it was printed or who paid for the printing.

For your information I am sending herewith copies of all correspondence in our files relating to the two pamphlets referred to. I am sending also a copy of Commissioner Claxton's letter that was sent with the pamphlet, "Treasure Hunting of To-day."

Mr. President, at this point it may be interesting briefly to describe the gentlemen named by the Acting Commissioner of Education. Mr. Keohan is the Washington manager of the Chemical Foundation and was Mr. Garvan's handy man during the Garvan administration of the Alien Property Custodian's office. Mr. Mead is a vice president of the E. I. du Pont de Nemours Co. and is president of the Manufacturing Chemists' Association, which is the first of the associations of such character so generously spawned under the auspices of the Du Pont Co. and one of the organizations to whom, as I have already pointed out, Messrs. Palmer and Garvan took their precious scheme to organize the Chemical Foundation. Rose is of the staff of the technical laboratory in the chemical department of the Du Pont Co. Doctor Parsons is secretary of the American Chemical Society, which has been actively interested in promoting the dye embargo; he was consulting chemist of the General Chemical Co., a subsidiary of the Allied Dye & Chemical Co., which will be one of the chief beneficiaries of the embargo if it stands; and he is an active member of a group now contesting with Henry Ford for possession of the Muscle Shoals power plant. Doctor Howe is the editor of the Journal of Industrial and Chemical Engineering, in which Mr. Rose's original article, "The education of the research chemist," first appeared. Doctor Claxton is a former Commissioner of Education, and Mr. Garvan has already been sufficiently identified.

It appears, Mr. President, from the letters which I hold in my hand, and which I shall ask to have printed in full as a part of my remarks, that Mr. Garvan wrote to Commissioner Claxton to say:

Mr. Keohan and Mr. Mead have told me of your very kind offer to help in the educational efforts of the Chemical Foundation by personally sending to various educational heads a pamphlet prepared along lines suggested by you.

It might be valuable to know, Mr. President, whether Doctor Claxton's "very kind offer" and the "lines suggested" by him were in any way implanted in his receptive mind by the dulcet diplomacy of Mr. Keohan and Mr. Mead. However that may be, Mr. Garvan goes on to say:

This appeals to me as a very valuable and effective means of conveying our message to the younger generation in this country.

In consequence, Mr. Garvan added, they would make efforts to secure the best talent available and to prepare the suggested pamphlet, and as soon as it had reached final form it would be laid before Doctor Claxton for approval and criticism. And, not to be outdone in the courtesy of the occasion, Mr. Garvan concluded his letter by asking Doctor Claxton to accept "hearty thanks for his patriotic and generous offer of cooperation in his field."

#### A NEW OCCUPATION.

This, Mr. President, seems to open a new avenue of activity for Government departments and bureaus, and I doubt not that many other equally anxious corporations who clothe their aims in the garb of education and patriotism will be seeking out other Government agencies for like cooperation.

These letters to which I refer, Mr. President, are as follows, and I ask that they may be here inserted without reading.

THE VICE PRESIDENT. Without objection, it is so ordered.  
The letters are as follows:

THE CHEMICAL FOUNDATION,  
New York City, November 19, 1920.

HON. PHILANDER P. CLAXTON,  
Commissioner Bureau of Education,  
Pension Office Building, Washington, D. C.

MY DEAR COMMISSIONER CLAXTON: Mr. Keohan and Mr. Mead have told me of your very kind offer to help in the educational efforts of the Chemical Foundation by personally sending to various educational heads a pamphlet prepared along lines suggested by you. This appeals to me as a most valuable and effective means of conveying our message to the younger generation in this country as well as of acquainting its young men and women with the possibilities of a career in chemistry.

I am, consequently, making efforts to secure the very best talent among chemical authorities to prepare data for such a pamphlet as you outline. Just as soon as we have this matter in some sort of final form Mr. Keohan or Mr. Mead will lay it before you for your approval and criticism.

Please accept our hearty thanks for your patriotic and generous offer of cooperation in your field.

Very sincerely yours,

FRANCIS P. GARVAN, President.

E. I. DU PONT DE NEMOURS & CO. (INC.).  
CHEMICAL DEPARTMENT,  
Wilmington, Del., January 3, 1921.

MR. PHILANDER P. CLAXTON,  
Commissioner of Education, Washington, D. C.

DEAR MR. COMMISSIONER: When we were discussing the letter which you propose sending out with the pamphlets on chemistry you said you would like to have some definite figures showing the number of chemists



employed in the different industries, which might serve as an indication of the possibilities open to the youth of the country.

I have made a very earnest effort to obtain such statistics for you, but I find that there is no record of the kind anywhere in the country and there is obviously no means of getting the figures directly.

Under the circumstances it would seem that there is no way open to give a more definite characterization to the nature of chemical employment than that which you have already embodied in your letter.

If I can be of any possible service to you in getting other information to take the place of that which I was unable to obtain, please call upon me.

Very truly yours,

R. E. ROSE.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, January 4, 1921.

Dr. R. E. ROSE,

Chemical Department, E. I. du Pont de Nemours & Co.,  
Wilmington, Del.

MY DEAR DOCTOR ROSE: I wish to thank you for your note of January 3. I am sorry that it is impossible to get any adequate estimate of the number of chemists that will probably be needed in the near future. This quantitative side would be very helpful to me, but I can understand the difficulty.

Yours sincerely,

P. P. CLAXTON, Commissioner.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, January 14, 1921.

Mr. CHARLES PARSONS,

Bureau of Mines, Department of the Interior.

MY DEAR MR. PARSONS: I am sending you herewith the article about which I spoke to you a day or two ago. The purpose of the article is to inspire boys and girls in high school to study elementary sciences, and particularly chemistry, with a view to continuing the study in college for the purpose of becoming professional chemists. I wish you would tell me very frankly what you think about it.

Yours sincerely,

P. P. CLAXTON, Commissioner.

SHEFFIELD CHEMICAL LABORATORY,  
SHEFFIELD SCIENTIFIC SCHOOL OF YALE UNIVERSITY,  
New Haven, Conn., January 20, 1921.

Mr. PHILANDER P. CLAXTON,

United States Commissioner of Education,  
Washington, D. C.

DEAR MR. CLAXTON: Mr. Francis P. Garvan, president of the Chemical Foundation (Inc.), has recently brought to my attention a proposed plan of stimulating interest in chemistry in this country. As I understand the proposition, it is one of cooperation between you and the Chemical Foundation in the circulation of literature or a pamphlet concerning a career in chemistry among school superintendents and other educational officials throughout the country. I think this would be an admirable undertaking, and I trust nothing will develop which will interfere with the carrying out of the same.

Mr. Garvan informed me, however, that you are very insistent that there be incorporated in such a pamphlet some definite figures or statistics on the opening for young chemists in the various industries. To make a census of such activities would be an extremely difficult matter at this time, and I doubt very much whether it would be of great value if it could be obtained. It would not be at all accurate, owing to the changing state of our science and industry to-day, and it is my opinion any such compilation would be useless for practical purposes. I think we should get this matter before the public just as soon as possible, and I sincerely hope that the Chemical Foundation will be supported in every way possible in this educational work.

Very truly yours,

TREAT B. JOHNSON,  
Professor of Organic Chemistry.

ALIEN PROPERTY CUSTODIAN,  
Washington, D. C., March 2, 1921.

The Hon. P. P. CLAXTON,

Commissioner of Education, Washington, D. C.

MY DEAR COMMISSIONER: I am sending you herewith a number of booklets on chemistry which the Chemical Foundation prepared and which you were kind enough to offer to distribute to the school superintendents of the country.

As you know, the purpose of this booklet is to encourage the study of chemistry in our schools, and I am quite sure that your kind assistance in their distribution will have an extremely beneficial effect.

Thanking you for your sincere interest in the promotion of the study of chemistry, I am,

Very truly yours,

W. F. KEOHAN.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, March 5, 1921.

Mr. W. F. KEOHAN,

Office Alien Property Custodian,  
Sixteenth and P Streets NW., Washington, D. C.

MY DEAR MR. KEOHAN: Your letter of March 2 is found on my desk on my return to the office. I am glad to have the copies of the booklet. I will take steps at once for sending them out.

Yours sincerely,

P. P. CLAXTON, Commissioner.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, March 9, 1921.

DEAR SIR: I am sending you herewith a copy of "Treasure Hunting of To-day," which has been written at my request for the purpose of calling the attention of boys and girls to some of the things of interest in science as a study in school and college, and particularly to the important part which chemistry is beginning to play in our industrial and economic life—a part which will no doubt become much larger in the near future. The demand for technical chemists is constantly increasing, and the more we learn of chemistry the greater and more numerous are the possibilities of important new discoveries.

I wish to suggest to principals of high schools and presidents of normal schools that they read or have this leaflet read to their students in one or more daily assemblies or otherwise.

To colleges and universities and normal schools a sufficient number of copies is being sent for distribution among the various departments and for the tables of reading rooms and libraries.

Yours sincerely,

P. P. CLAXTON, Commissioner.

NOVEMBER 23, 1920.

Mr. PHILANDER P. CLAXTON,

Commissioner of Education,  
Department of the Interior, Washington, D. C.

DEAR SIR: At a time when the question of education is receiving such intense attention, both with regard to the supply of teachers and the nature of the courses followed, it may be of interest to you to know the opinion of one who has been both a teacher and a member of a corporation employing a great many research men.

The statement that the future of this country is dependent for its success on the quality of the research work done here and that the research work is in turn primarily dependent on the instruction furnished in our grade schools is not expressing the case too forcibly.

The paper which I inclose is far too brief to do justice to the importance of the subject, but it has served to arouse comment which may ultimately result in constructive efforts being made which will play some small part in the future development of educational methods in this country.

Yours very truly,

ROBERT E. ROSE.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, D. C., November 24, 1920.

Mr. ROBERT E. ROSE,

Chemical Department,  
E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR MR. ROSE: I have your letter of November 23 and a copy of your pamphlet, "The Education of the Research Chemist." This will be called to Commissioner Claxton's attention as soon as he has the time to give it.

Sincerely yours,

J. F. ABEL, Chief Clerk.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, D. C., November 7, 1921.

Mr. ROBERT E. ROSE,

Care E. I. du Pont de Nemours & Co., Wilmington, Del.

MY DEAR MR. ROSE: I have just this morning read the reprint of your article, "The Education of the Research Chemist," which you were kind enough to send me some time ago. I have read it with very great pleasure, and am in full accord with your position in almost every part of it. I wish this could get to a very large number of educators—principals of high schools and presidents of colleges and universities. How many reprints did you have made? Would it be possible for this bureau, without cost to it, to have 15,000 or 20,000 copies for distribution?

Yours sincerely,

P. P. CLAXTON, Commissioner.

E. I. DU PONT DE NEMOURS & CO.,  
DYESTUFFS SALES DEPARTMENT, TECHNICAL LABORATORY,  
P. O. Box 518, Wilmington, Del., March 17, 1921.

Mr. PHILANDER P. CLAXTON,

Commissioner of Education, Washington, D. C.

DEAR MR. COMMISSIONER: I was very much pleased to have your opinion of my little article on the "Education of the research chemist" and to know that you feel that it would be an advantage to have this given wider publicity.

I am looking into the matter of obtaining sufficient reprints to supply your needs, and will let you know if I can manage to obtain them. I could let you have 300 copies at once, if you could make use of them.

With kind regards, I am,

Yours sincerely,

R. E. ROSE.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, March 21, 1921.

Mr. R. E. ROSE,

P. O. Box 518, Wilmington, Del.

DEAR SIR: In the absence of Commissioner Claxton, who is in the Middle West, I am acknowledging your letter of March 17. Doctor Claxton will be back in Washington at the end of this week, and I will submit your letter to him at the first opportunity.

In the meantime I would suggest your sending the 300 copies of your article which you say you can spare, as I am sure he can make good use of them.

Yours sincerely,

THEO. HONOUR,  
Secretary to the Commissioner.

E. I. DU PONT DE NEMOURS & CO., DYESTUFFS DEPARTMENT,  
SALES DIVISION TECHNICAL LABORATORY,  
Post-office box 518, Wilmington, Del., May 11, 1921.

Mr. PHILANDER P. CLAXTON,

Commissioner of Education, Washington, D. C.

MY DEAR COMMISSIONER: Under separate cover I forwarded to you 300 reprints of my article on the "Education of the research chemist" which you were kind enough to say you thought you could use to good advantage.

I have not yet been able to make arrangements to have a larger number printed, but I have not lost hope of being able to do so.

Yours very truly,

R. E. ROSE.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, May 13, 1921.

Mr. R. E. ROSE,

P. O. Box 518, Technical Laboratory,  
E. I. du Pont de Nemours & Co., Wilmington, Del.

MY DEAR MR. ROSE: I wish to thank you for the 300 reprints of the article "Education of the research chemist." Have these been sent to

the libraries of the better colleges and universities? If not, it occurs to me that this would be the best use to make of them.

Yours sincerely,

P. P. CLAXTON, *Commissioner.*

E. I. DU PONT DE NEMOURS & CO., DYESTUFFS DEPARTMENT,  
SALES DIVISION, TECHNICAL LABORATORY,  
Post-office box 518, Wilmington, Del., May 17, 1921.

Mr. PHILANDER P. CLAXTON,  
*Commissioner of Education, Washington, D. C.*

DEAR MR. COMMISSIONER: With regard to the reprints of the article "The education of the research chemist," I have to inform you that these have not been sent to the libraries of the better colleges and universities. It seems to me that this would be a very excellent way of making use of them.

Yours sincerely,

R. E. ROSE.

DEPARTMENT OF THE INTERIOR,  
BUREAU OF EDUCATION,  
Washington, May 28, 1921.

Mr. R. E. ROSE,  
Post-office box 518, Wilmington, Del.

DEAR MR. ROSE: I take pleasure in advising you that we are now mailing the 300 copies of your article on "The education of the research chemist" to the libraries of the more important universities and colleges in the United States.

Yours sincerely,

L. A. KALBACH, *Chief Clerk.*

MR. MOSES. It is, perhaps, not without interest to note that of the eight letters written to the Bureau of Education by way of seducing it into this scheme five came from the Du Pont Co., one from the Chemical Foundation, one from the Alien Property Custodian, and one from Yale College.

MR. KING. Mr. President, I did not hear to whom those letters were sent.

MR. MOSES. These eight letters were addressed to the Bureau of Education.

#### FIVE DOLLARS FOR A SENATOR.

As another example of the manner in which the dye makers have been able to hoodwink the public and to make use of governmental agencies for their private purpose, I desire to advert to the chemical industrial exhibit which occupied the boards at Rochester, N. Y.; Springfield, Mass.; Du Pont Hotel, Wilmington, Del.; Chicago; and Philadelphia, which found temporary shelter in both the Senate and House Office Buildings, which is now permanently installed at the National Museum, and which, in a condensed and highly idealized form, was paraded before the Shortridge committee. The exhibit as it appeared in this last-named place, Mr. President, constituted a demonstration of scientific processes such as never was on land or sea; and in one or more of the various forms in which this peripatetic pageant of plutocracy held sway in Washington its drawing power was so scant that professional pullers-in were employed to find sightseers at a price per head ranging as high as \$5 apiece for a Senator—prices for Representatives and other public officials not quoted. I may add that I have in my possession an affidavit to this effect.

The origin of this exhibit, Mr. President, is shrouded in some mystery. The first authentic reference to it which I have been able to find is contained in a letter from O. E. Roberts, jr., captain in the Chemical Warfare Service and head of the chemical relations section. Writing under date of January 16, 1920, to an officer of the National Aniline & Chemical Co., Captain Roberts refers to plans for an exhibit which he says are "rather up in the air," the Chief of Staff having refused to sanction the project as originally proposed. Captain Roberts, however, was hopeful, and promised to take the matter up again with a view to modifying his request for funds so that the general plan might be adopted. It appears, Mr. President, from the photostat copies of official correspondence which I have before me, that the higher ups in the War Department were wary in their use of public money for private propaganda; but, since no question of money has ever yet served to check the dye propagandists in their work, that obstacle was readily overcome. Funds were provided from various sources; and, in a later letter from Captain Roberts addressed to the chemical department of the Du Pont Co., he voiced his appreciation of "heartfelt cooperation" which he had received from that benevolent institution. Still later, writing to the secretary of the American Dyes Institute, Captain Roberts requested the approval of the institute and its authority—presumably meaning its funds—for the purpose of commencing the preparation of the second exhibit to be sent to Philadelphia; and on the same day, in order to emphasize the urgency of the situation, he telegraphed to Doctor Isermann, of the Chemical Co. of America, and to an official of the Du Pont Co., requesting like "authority." It is evident, Mr. President, that Captain Roberts is a resourceful person who believes in having more than one string to his bow.

Later, writing to an officer of the Calco Chemical Co., Captain Roberts expressed the workings of his mind in connection with this exhibit. Indicating that since he did not know what agency would "stage" it in Philadelphia, he admitted a prejudice in the matter and a feeling—

that the Chemical Warfare Service is by all means fitted to stage such an exhibit.

He argued that—

the publicity thus gained is not considered in the light of propaganda and would be received by the general public in a better spirit than if it was staged as an exhibit of the dyes institute.

Five days after this artful suggestion, Captain Roberts again took his ready pen in hand once more to write to the secretary of the dyes institute, and said:

We have gone ahead with the preparation of this exhibit and have obligated ourselves for several thousand dollars. It is therefore requested that as soon as convenient you mail a check to cover the amount of the exhibit, as stated to your committee for our use—

And, of course, Mr. President, he thanked his correspondent for an early reply.

Mr. President, we thus see the Bureau of Education and the War Department, two great agents of the Government, victimized by the dye makers of the country, and our public agencies turned to use in private propaganda. Small wonder that many well-meaning and impulsive people, including Senators, have been duped by what they thought to be their own Government advocating this vicious legislation; though the proof is here clear that it was merely the work of a corrupt and unscrupulous group of monopolistic profiteers.

Mr. President, if we turn now to the Summary of Tariff Information, so well thumbed by Senators who have taken part in the debate on this bill, on page 79 we may read:

Previous to the war the domestic synthetic dye industry was restricted to assembling a limited number of dyes from intermediates imported from Germany. In 1914, 6,619,729 pounds of coal-tar dyes, valued at \$2,470,096, were made from imported intermediates (aniline in part excepted).

During the war the failure of the foreign supply and the great needs of the domestic consumer, combined with great initiative on the part of the dye makers, gave rise to the rapid development of dye manufacturing. In 1917, 45,977,246 pounds were produced, increasing to 88,263,776 pounds in 1920.

According to the same authority, Mr. President, our production in 1914 was only 6,619,729 pounds, with a value of \$2,470,096, whereas in 1920 the production, which I have named, was valued at \$95,613,749. In other words, both production and value have risen together. In 1914 the importation and production combined were slightly less than 53,000,000 pounds, and their value about \$13,000,000, or an average price of less than 25 cents per pound. In 1920 production and importation had risen to 92,000,000 pounds, in round numbers, with a value of more than \$100,000,000, or about \$1 per pound. During the same period our exports in all classes of dyes have risen to nearly \$30,000,000, or an amount three times the value of our total importations from Germany prior to the war. These figures, Mr. President, show that the dye industry in this country has far transcended the 60 per cent of total consumption which the dye makers in 1916 set for themselves as the limit at which they would begin to reduce their demand for protection; yet in spite of this, sir, we find them here impudently demanding a total embargo against all competition from abroad at a time when the chief members of the group are in a position to strangle equally all competition at home.

#### IS THERE A MONOPOLY?

This latter fact is evident, Mr. President, from the undisputed assertion made before the Shortridge committee that two dye makers in America to-day produce substantially 70 per cent of the total American dye output. These two producers are the National Aniline & Chemical Co., whose output, admitted by itself, is substantially 40 per cent of the total American production; and the Du Pont Co., whose output is more nebulously stated by its president to be about one-sixth of the total production. These per cents combined, Mr. President, account for nearly 60 per cent of the total American production; and it is significant that neither producer saw fit to dispute the assertion of the junior Senator from Utah that the two companies combined handle 70 per cent of the American dye output.

Mr. President, I do not need to argue from this that monopoly exists in the dye business in America; the figures speak for themselves. And they are strengthened each day in Washington by the close correlation and cooperation of the energetic lobbies of these two concerns in a manner to indicate something at least as strong as a gentleman's agreement.

I shall speak in detail of but one of these companies. The E. I. du Pont de Nemours Co. possessed a long and honorable record in American industry up to 20 years ago, at which time



the copartnerships and corporate forms under which its business had been conducted were taken over by a new corporation, which so speedily wandered into evil ways and so soon found itself upon evil days that in 1907 it was proceeded against by the Federal Government and dissolved as a corporation existing in violation of the antitrust law. Having been told then by the courts what they could not do, the Du Ponts have since found able counsel to tell them what they may do. And as a result to-day we find them not only in the manufacture of explosives, which have made the Du Pont name famous, but engaged in the production of dyes to an extent substantially monopolistic, and having a dominant position in such widely varied fields of enterprise as phonographs, automobiles, artificial leather, hard fiber, celluloid, moving-picture films, artificial silks, paints, varnishes—and politics.

At the outbreak of the war, and I quote now, Mr. President, from an article appearing in *The Nation's Business* for October, 1921, written by Pierre S. du Pont, chairman of the Du Pont Co., its capital assets were about \$80,000,000, and its annual business amounted to about \$26,000,000. It has since expanded, according to the same authority, to a business of over \$300,000,000 a year, and to an investment "in factories for the production of special military explosives of \$220,000,000." Its total net profits in six recent years have amounted to \$257,000,000, as shown by a computation of figures taken from Moody's Manual.

#### WHERE DID THEY GET IT?

The reluctant Mr. du Pont will probably never tell in what manner his company was permitted thus to swell its assets and its profits. May I in some small measure, Mr. President, supply his omission?

I have here a tabulation drawn from official sources showing that, beginning with January 10, 1918, and running through to a latest date of February 11, 1919, the Du Pont Co. and two of its subsidiaries secured advances from the Federal Treasury in the gross sum of \$99,250,552.80. This money, Mr. President, was paid for the purpose of creating huge establishments which bear the Du Pont name and which were devoted to furnishing supplies to the Government during the war. Thus the people of the United States not only financed the Du Ponts in the tremendous extension of their business but were also mulcted by the Du Ponts to an extent which enabled the company to increase its plant value to an admitted \$220,000,000, while at the same time taking out net profits which in one year amounted to \$129,000,000.

#### THE LUCKY DU PONTS.

The Du Ponts still hold, as of July 1, 1922, \$35,121,066.02 of Government funds unaccounted for, although the war ended almost four years ago. On practically none of this \$100,000,000 of public money advanced to them did the Du Ponts pay interest; and the only security they ever gave for any portion of this huge sum of the public's funds was their own notes or bonds. Lucky, indeed, Mr. President, is that company which, desiring to extend its business, can float its issues of securities through the Federal Treasury, and luckiest of all are the Du Pont companies.

I ask that the table to which I refer may here be printed in my remarks without reading, so that Senators who doubt my conclusions may study the figures from the *RECORD* to-morrow at their leisure.

There being no objection, the matter was ordered to be printed in the *RECORD*, as follows:

*Advance payments made by War Department to the Du Pont interests, 1918-19.*

#### THROUGH WAR CREDITS BOARD.

Company.	Amount advanced.	Date.	Interest.	Security.
E. I. du Pont de Nemours.	\$750,000.00	Jan. 10, 1918	None.....	Demand note, \$27,484,264.29; endorsed P. S. Du Pont, J. J. Raskob.
Do.....	26,734,264.29	.....do.....	.....do.....	Do.
Du Pont Engineering Co.	1,556,250.00	Apr. 24, 1918	7 and 6 per cent.	Bond, \$2,000,000, Du Pont de Nemours.
Do.....	713,800.00	May 23, 1918	.....do.....	Bond, \$725,000, Du Pont de Nemours.
Do.....	1,000,000.00	Aug. 16, 1918	.....do.....	2 bonds, \$300,000 each, Du Pont de Nemours.
Total advanced through War Credits Board.	30,754,314.29			

*Advance payments made by War Department to the Du Pont interests, 1918-19—Continued.*

#### THROUGH SECRETARY OR ASSISTANT SECRETARY OF WAR.

Company.	Amount advanced.	Date.	Interest.	Security.
E. I. du Pont de Nemours.	\$1,237,500.00	Aug. 22, 1918	None.....	None of record.
Do.....	8,413,600.00	Sept. 25, 1918	.....do.....	Bond of company.
Do.....	2,888,361.00	Oct. 18, 1918	.....do.....	Do.
Do.....	1,652,777.51	Oct. 28, 1918	.....do.....	Do.
Do.....	1,150,944.26	.....do.....	.....do.....	Do.
Do.....	5,849,055.74	Feb. 11, 1919	.....do.....	Do.
	21,192,238.51			
Du Pont Engineering Co.	18,750,000.00	Mar. 29, 1918	.....do.....	None of record.
Do.....	6,318,000.00	May 24, 1918	.....do.....	Bond of company.
Do.....	6,318,000.00	Sept. 15, 1918	.....do.....	Do.
Do.....	4,200,000.00	Oct. 9, 1918	.....do.....	Do.
Do.....	2,000,000.00	Dec. 23, 1918	.....do.....	Do.
Do.....	4,318,000.00	Dec. 26, 1918	.....do.....	Do.
	41,904,000.00			
Du Pont American Industries.	5,400,000.00	Jan. 15, 1919	.....do.....	Do.

#### RECAPITULATION.

Advances made through War Credits Board:	
To E. I. du Pont de Nemours & Co.....	\$27,484,264.29
To Du Pont Engineering Co.....	3,270,050.00
Advances made through Secretary or Assistant Secretary of War:	
To E. I. du Pont de Nemours & Co.....	21,192,238.51
To Du Pont Engineering Co.....	41,904,000.00
To Du Pont American Industries Co.....	5,400,000.00

Total of advances made..... 99,250,552.80

[NOTE.—Of the total amount advanced, \$99,250,552.80, there remained unrecouped as at July 1, 1922, \$35,121,066.02, not including interest due on advances to Du Pont Engineering Co., as authorized by War Credits Board.]

Mr. MOSES. It must not be forgotten, Mr. President, that in addition to these millions of proceeds which were derived from our Liberty loan drives, and which were paid direct to the Du Ponts from the American people's own Treasury, the Du Ponts received what probably will be found to be an even larger number of millions of American money, similarly derived and paid from the loans which we made to the foreign Governments and which we are now trying to recover. To the senior Senator from Utah, being a member of the commission which has this matter in hand, I commend the task of endeavoring to find how many of the American taxpayers' dollars flowed into the coffers of the Du Ponts through foreign channels.

I assume, Mr. President, that Senators who vote for this proposed embargo can do so only upon the theory that the largess of the American people to the Du Ponts is not yet sufficient and that it should be supplemented by the gift contained in the outrageous legislation which they demand in this bill.

The Du Ponts entered the dye business in 1917, its beautifully printed announcement bearing date of July of that year. It started, as the announcement reads, with four organized factors to insure success—the necessary raw materials; a splendid chemical and engineering organization; unequaled plant and laboratory facilities; and an adequate commercial organization.

#### SEEKING TO DIVIDE THE WHOLE WORLD.

To this they should have added a fifth, comprising the contract which they had made seven months earlier with Levinstein (Ltd.), a British corporation, with whom they sought to divide the world, Levinstein to have Great Britain and its possessions, except Canada, a portion of Europe and other countries, except those in which the Du Ponts had exclusive rights, while the Du Ponts were to have the United States and all its possessions, Mexico, Central and South America, and nonexclusive rights throughout all the world except where Levinstein could preempt them. This contract came to light through the breach of a second contract entered into by the Du Ponts and one Edgar Levinstein, of Boston, who sued the Du Ponts for \$1,000,000 in litigation filed in the Federal courts in May, 1920. This suit was never brought to trial. It was settled out of court, but no one knows the terms of settlement. I hope it is no injustice to suppose that the Levinstein contract still exists and that Levinstein and the Du Ponts still are monarchs of all they survey.

In the three years of this dye discussion we have heard much, Mr. President, about the German cartel, and especially about the Badische Co., which, as everyone knows, is the chief German producer of dyestuffs. The cartel and the Badische have been held up before us as the bogle men of the dye world. And we have been repeatedly and solemnly warned to have no traffic or communication with them or to permit them an approach to our shores within the limit of the 3 maritime miles within which the Volstead Act is operative.

## A PROPOSED DEAL WITH THE GERMANS.

Nevertheless, we find—and I have here an affidavit in proof of the disclosure—that on the 21st of November, 1919, there gathered in Zurich, Switzerland, Mr. Mead, a vice president of the Du Pont Co.; Mr. Laffey, an attorney for the Du Ponts; Mr. Morris Poucher, whose name is redolent of all that smells of Du Pont; Mr. Eysten Berg, and Dr. E. C. Kuntz, neither of whom I can sufficiently identify. They had journeyed to Zurich for the purpose of conferring with Dr. Carl Bosch, Dr. R. Bohn, two directors of the Badische Co., and Dr. Ernst Schwartz, another representative of the same malignant organization. The object of their travels was to procure the adoption of a plan, proposed by Mr. Poucher and aiming at a trade arrangement between the German works and the Du Ponts. The Badische declined to enter into the arrangement.

## CHINA, TOO.

Undismayed by the disaster which had overtaken their monopolistic contract with Levinstein and undaunted by the rebuff received from the Badische Co., the Du Ponts continued to seek new worlds to conquer, and on June 24, 1921, the Republic of China issued a bulletin announcing that the Du Ponts were planning to form a dye company in China in connection with Doctor Wang and Mr. Nieh. This step was taken subsequent to an earlier proposal submitted by the Du Ponts to the American trade counsel in China, and by him reported on March 5, 1921, that his office should attempt to effect an arrangement whereby the Chinese Government would confiscate 18,000 trade-marks held by the Germans for dyes marketed in China and form a joint Chinese company or an American-British company to license these trade-marks from the Chinese Government. We thus see, Mr. President, how the beneficent, educational, patriotic, and eleemosynary principle of the Chemical Foundation was to be imposed upon the patient and long-suffering Chinese.

Mr. SHORTRIDGE. Would not the establishment of such a company over in China have been very beneficial to America?

Mr. MOSES. I am not so clear about that. At any rate, I decline to enter into that now, because I am reciting history.

On May 21, 1921, a memorandum on the dye industry in China was submitted to the British, French, and American Chambers of Commerce, the Du Pont representative modestly signing in last place on behalf of America, and recommending that the Reparation Commission be given authority, after consultation with the principal dye firms of the allied nations, to impose an export duty on dyes from Germany which would be high enough to protect the firms in the least favored of the allied nations as regards exchange—meaning America—and thus to enable the Du Ponts to secure a firm foothold from which to seize the lion's share of the dye business in China.

For more than a year now, Mr. President, I have heard nothing of the imperialistic plans of the Du Ponts in Europe or in the Orient. It is probable that both schemes have crashed to the ground; a probability strongly reinforced by the pressure which the Du Ponts are now making to secure for themselves an embargo in the American market in order that they may mulct from American consumers the sums which they have found themselves unable to take from war-stricken Europeans or the simple-minded orientals.

Mr. President, I now ask to have inserted at this point as a portion of my remarks without reading certain exhibits, which at my written request were admitted as evidence before the Shortridge committee. These exhibits, and indeed the entire testimony taken by the Shortridge committee, are unavailable for the general use of Senators or others interested, because the proceedings before that committee have not yet been printed, and I say this in extenuation of the voluminous documents which I here submit.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

## TREATY OF VERSAILLES, PART VIII, ANNEX VI.

1. Germany accords to the Reparation Commission an option to require as part of reparation the delivery by Germany of such quantities and kind of dyestuffs and chemical drugs as the commission may designate not exceeding 50 per cent of the total stock of each and every kind of dyestuff and chemical drug in Germany or under German control at the date of the coming into force of the present treaty. This option shall be exercised within 60 days of the receipt by the commission of such particulars as to stocks as may be considered necessary by the commission.

2. Germany further accords to the Reparation Commission an option to require delivery during the period from the date of the coming into force of the present treaty until January 1, 1920, and during each period of six months thereafter until January 1, 1925, of any specified kind of dyestuff and chemical drug up to an amount not exceeding 25 per cent of the German production of such dyestuff and chemical drugs during the previous six months' period. If in any case the production during such previous six months was, in the opinion of the commission, less than normal, the amount required may be 25 per cent of the normal production. Such option shall be exercised within four weeks after the receipt of such particulars as to production and in such form as may be considered necessary by the commission; these particulars shall be

furnished by the German Government immediately after the expiration of each six months' period.

3. For dyestuffs and chemical drugs delivered under paragraph 1 the price shall be fixed by the commission, having regard to pre-war net export prices and to subsequent increases of cost. For dyestuffs and chemical drugs delivered under paragraph 2 the price shall be fixed by the commission, having regard to pre-war net export prices and subsequent variations of cost or the lowest net selling price of similar dyestuffs and chemical drugs to any other purchaser.

4. All details, including mode and times of exercising the options and making delivery and all other questions arising under this arrangement, shall be determined by the Reparation Commission; the German Government will furnish to the commission all necessary information and other assistance which it may require.

5. The above expression "dyestuffs and chemical drugs" includes all synthetic dyes and drugs and intermediates or other products used in connection with dyeing so far as they are manufactured for sale. The present arrangement shall also apply to cinchona bark and salts of quinine.

SEPTEMBER 29, 1919.

A. M. PATTERSON, Esq.,

President Textile Alliance (Inc.), New York City.

DEAR SIR: Negotiations are now being carried on in Paris by the representatives of the allied and associated Governments for the purpose of securing the early delivery of German dyes at prices similar to those described in Annex VI of Part VIII of the treaty of peace with Germany. For your convenience, there is inclosed herewith a copy of War Trade Board Ruling 819, in which the provisions of Annex VI are set forth in detail.

The War Trade Board Section of the Department of State has determined to permit the importation of vat dyes from Germany in quantities sufficient to supply the requirements of the consumers in the United States for a six months' period, October 1, 1919, to April 1, 1920, and it may be desirable that manufacturers in the United States are enabled to avail themselves of the benefit of such plan as may result from the current negotiations in securing the above-mentioned quantities of vat dyes. To bring this about it would be necessary to designate a central agency to act as an intermediary between the consumers of dyes in the United States and the allied authorities from or through whom the dyes are to be secured. The Department of State would be prepared to designate the Textile Alliance (Inc.) as such agency to perform the following services under the terms and conditions hereinafter set forth:

(1) The War Trade Board Section of the Department of State will issue allocation certificates to consumers in the United States, stating that said consumers are entitled to secure the importation from Germany of the vat dyes specified in such certificates.

(2) The War Trade Board Section of the Department of State will advise consumers of such arrangements as may result from the current negotiations and will also inform them that the Textile Alliance (Inc.) has been designated to act in the capacity described in this letter.

(3) The Textile Alliance (Inc.) will accept from consumers holding the above-mentioned allocation certificates orders for vat dyes in amounts not exceeding the amounts specified in such certificates.

(4) The prices to be paid for the dyes so ordered will be the prices agreed upon in Paris and communicated to the Textile Alliance (Inc.) by its representatives in Paris, hereinafter mentioned in paragraph (5).

(5) The terms and method of payment for all dyes ordered through the Textile Alliance (Inc.) will be prescribed by the Textile Alliance (Inc.) to accord with such arrangements as may result from the pending negotiations, and they will be subject to the approval of the War Trade Board Section, and subject also to the conditions hereinafter in paragraph (6) contained.

(6) The Textile Alliance (Inc.) will send a representative to Paris. Said representative will receive by cablegram from the Textile Alliance (Inc.) complete information as to the dyes which have been ordered through the alliance as described above, and he will place these orders with or through the allied authorities and will attend to all the details connected with the acquisition of and payment for the dyes and their shipment to the Textile Alliance (Inc.) for distribution to the consumers who have ordered them. In all these matters the representative of the alliance will receive the cooperation and advice of Dr. Charles H. Herty, who is now in Paris as a representative of the War Trade Board Section.

(6) The Textile Alliance (Inc.) will be entitled to charge a commission for the services rendered by it, which commission shall be sufficient to defray all expenses incurred in carrying out the plan and performing the acts described in this letter; but it is to be understood that the alliance will not retain any profits arising out of this transaction and that any overplus remaining out of commissions collected, after the payment of all expenses, will be distributed pro rata among the consumers by whom such commissions shall have been paid.

The department desires to be advised at an early date whether the Textile Alliance (Inc.) would be willing to perform the services described in this letter, provided the situation would seem to make such an arrangement desirable.

Very truly yours,

WILLIAM PHILLIPS,  
Acting Secretary.

(Copy to F. A. Fleisch, vice president Textile Alliance (Inc.), 45 East Seventeenth Street, New York City.)

WAR TRADE BOARD,  
Washington, October 10, 1919.

## IMPORTATION OF GERMAN VAT DYES.

Sirs: 1. Referring to paragraph 7 of our circular letter of October 1, 1919, the War Trade Board Section is now able to advise you that negotiations referred to in said paragraph have resulted in the adoption of a plan under which a substantial portion of the German vat dyes, covered by the vat-dye certificates issued by the War Trade Board Section on the date above mentioned, may be secured at prices agreed upon by the interallied authorities at Paris.

2. The Textile Alliance (Inc.), of 45 East Seventeenth Street, New York City, has been designated as the sole official agency to administer the provisions of the above-mentioned plan and to import and distribute the dyes which will be secured thereunder.

3. Holders of allocation certificates who desire to avail themselves of the provisions of said plan should immediately assign and forward their vat-dye certificates to the Textile Alliance (Inc.).

4. It is impossible at the present time to state definitely the exact amount of vat dyes which will be immediately available under the



above-mentioned plan. A determination of the amounts which may be secured by the holders of vat-dye certificates can not be made until the Textile Alliance (Inc.) has been advised of the exact quantities desired to be purchased by certificate holders. Accordingly, holders of certificates, when forwarding the same, should advise the Textile Alliance (Inc.) of the amounts of vat dyes (not exceeding, however, the amounts allocated to them) which they wish to secure through the Textile Alliance (Inc.) and authorize the Textile Alliance (Inc.) to purchase the same for their account, it being understood that the Textile Alliance (Inc.) shall be entitled, in the event it should prove impossible to secure the entire amounts of the various dyes so applied for, to sell and deliver to each certificate holder his pro rata share of the total amount obtainable.

5. All holders of vat-dye certificates who desire to participate in the above-mentioned plan must deliver their certificates to, and place their orders through, the Textile Alliance (Inc.), as provided in the foregoing paragraphs 3 and 4, on or before October 31, 1919.

6. The Textile Alliance (Inc.) will be prepared within the next few days to inform certificate holders of the further details of the plan herein described, including the prices of various vat dyes, the terms of payment, and the time and manner of delivery.

7. The purchase, importation, and distribution of all vat dyes acquired under the above-mentioned plan will be effected at cost and without profit to the Textile Alliance (Inc.), and, accordingly, it is hereby prescribed as a condition of participation in said plan that all persons participating therein shall release and hold harmless the Textile Alliance (Inc.) and its officers, agents, and employees from any and all claims or liability arising in connection with any importations, sales, or deliveries of the vat dyes hereinabove referred to.

Very truly yours,

WAR TRADE BOARD SECTION,  
BUREAU OF IMPORTS.

WAR TRADE BOARD,  
Washington, D. C., November 26, 1919.

#### IMPORTATION OF GERMAN DYES OTHER THAN VAT DYES.

Sirs: (1) The War Trade Board section has issued to you and transmits herewith "nonvat-dye allocation certificate," stating that the War Trade Board section will issue a license for the importation, for your use, of the amount of German nonvat dyes stipulated in the inclosed certificate for consumption in your plant during the six months' period November 15, 1919, to May 15, 1920. The War Trade Board section is now prepared to issue licenses for the importation of the above-mentioned dyes in accordance with the regulations herein-after set forth.

(2) All nonvat-dye allocation certificates are issued by the War Trade Board section upon the express condition that the consumers to whom they have been issued shall file with the War Trade Board section, on the dates hereinafter specified, statements of the following character, to wit:

(a) On or before March 1, 1920, a sworn statement showing that the dyes covered by said certificates have been actually delivered to said consumers, or the reasons why such delivery has not been made.

(b) On or before June 1, 1920, a sworn statement showing, respectively, the amounts of said dyes which have been actually consumed during the above-mentioned six months' period, and the amount thereof remaining in the hands of said consumers on said date.

The acceptance of a nonvat-dye allocation certificate will be held to constitute an agreement by the consumer to whom said certificate has been issued to file with the War Trade Board section the statements hereinabove described.

(3) Licenses for the importation of German nonvat dyes will be issued only when the applications for import licenses are accompanied by nonvat-dye allocation certificates issued by the War Trade Board section.

(4) If the application for import license is to be made by an importer or any person other than the person to whom such certificate has been issued, the holder of such certificate must assign the same to the applicant for the import license by executing the authorization appended to the certificate. The assignment of such certificate will be permitted only upon the express condition that the assignee of such certificate shall file with the War Trade Board section the sworn statement described in paragraph (a) or part (2) of these regulations, and the acceptance of such assignment will be held to constitute an agreement by said assignee to file such sworn statement with the War Trade Board section.

(5) A separate application for import license must be filed for each allocation certificate. For your convenience there is inclosed herewith copy of application Form "M."

(6) With respect to all applications for import licenses filed pursuant to these regulations, the War Trade Board section has waived the requirements that such applications must be accompanied by the supplemental information sheets heretofore prescribed to be used in connection with the importation of dyes. (See W. T. B. R. 825, issued August 15, 1919.)

(7) In this connection the War Trade Board section advises you that as the result of certain recent negotiations between the representatives of the allied and associated Governments and of the German Government a substantial portion of the German nonvat dyes covered by the nonvat-dye certificates, which have been issued by the War Trade Board section to satisfy the requirements of consumers for the six months' period November 15, 1919, to May 15, 1920, has been made available to consumers in the United States at prices agreed upon by the interallied authorities at Paris.

(8) The Textile Alliance (Inc.), of 45 East Seventeenth Street, New York City, has been designated as the sole official agency to import, on behalf of consumers, such part of the total allocation of nonvat dyes as has been made available as the result of the negotiations referred to above, and to the extent to which consumers may desire to obtain a part of their requirements from that source. Importation through the Textile Alliance (Inc.) is optional with the consumer and not mandatory, but consumers who desire to import dyes which have been made available as the result of the negotiations referred to above must do so exclusively through the Textile Alliance (Inc.).

(9) Holders of allocation certificates, who desire to import through the Textile Alliance (Inc.) from the official source referred to above, should assign and forward their nonvat dye certificates to the Textile Alliance (Inc.).

(10) It is impossible at the present time to state definitely the exact amount of nonvat dyes which will be immediately available to each consumer from the official source referred to above. A determination of the amounts which may be secured by the holders of

nonvat dye certificates can not be made until the Textile Alliance (Inc.) has been advised of the exact quantities desired to be purchased by certificate holders. Accordingly, holders of certificates, when forwarding the same, should advise the Textile Alliance (Inc.) of the amounts of nonvat dyes (not exceeding, however, the amounts allocated to them) which they wish to secure through the Textile Alliance (Inc.), and authorize the Textile Alliance (Inc.) to purchase the same for their account, it being understood that the Textile Alliance (Inc.) shall be entitled, in the event it should prove impossible to secure the entire amounts of the various dyes so applied for, to sell and deliver to each certificate holder his pro rata share of the total amount obtainable.

(11) All holders of nonvat dye allocation certificates who desire to import through the Textile Alliance (Inc.), must assign and deliver their certificates to and place their orders through the Textile Alliance (Inc.) as provided for in the foregoing paragraphs 9 and 10, not more certificate herein described.

(12) The Textile Alliance (Inc.) is prepared to inform certificate holders of details in relation to prices, terms of payment, and time and manner of delivery.

(13) The purchase, importation, and distribution of all nonvat dyes acquired under the above-mentioned plan will be effected at cost and without profit to the Textile Alliance (Inc.) and, accordingly, it is hereby prescribed as a condition of participation in said plan that all persons participating therein shall release and hold harmless the Textile Alliance (Inc.) and its officers, agents, and employees from any and all claims or liability arising in connection with any importations, sales, or deliveries of the nonvat dyes hereinabove referred to.

Very truly yours,

WAR TRADE BOARD SECTION,  
BUREAU OF IMPORTS.

APRIL 10, 1920.

In reply refer to Ta.

THE TEXTILE ALLIANCE (INC.),  
New York City.

GENTLEMEN: I beg to refer to conferences held recently between Mr. Van S. Merle-Smith, of this department, and a representative of your company with regard to the purchase of 1,200 tons of German dyes, available under option to the United States.

By agreement entered into in connection with the peace negotiations the German Government gave to the allied and associated powers a right of option to dyes from impounded stocks as well as from subsequent production of German manufacturers. Inventories were furnished by the German authorities covering impounded stocks as of August 4, 1919. These inventories contained also the prices at which Germany desired to receive credit for these dyes on account of the claims of the allied and associated powers. These prices were stated in German marks, upon the understanding that credit would be given for the marks at the rate of exchange current on the date of delivery of the dyes by the shippers to the transportation company, as evidenced by the bill of lading.

The total amount of dyes covered by the inventories was approximately 20,000 metric tons, of which the allied and associated powers were entitled to receive not to exceed 50 per cent.

Thus far there has been but a partial allocation of these impounded dyes among the allied and associated powers. The apportionment amounted in all to 5,200 metric tons, of which the United States was given the right to take, at the prices above referred to, an amount up to 1,500 metric tons, without restriction as to colors, except that the amount taken of any one color was limited to 10.22 per cent of the total stock of that particular color, as covered by the inventories above referred to.

American consumers were informed of this 1,500 tons of German dyes available from this source and were given an opportunity to order therefrom through the Textile Alliance (Inc.) such colors and amounts as were permitted to be imported under governmental regulations. Only 300 tons were so ordered. There remain approximately 1,200 tons still available to the United States at the prices above referred to. Such dyes may be acquired at a price far below the present market value, and therefore present an exceedingly valuable asset, whether for internal use or for resale on foreign markets to which this country is entitled. We are informed that unless arrangements can be made allowing further time to the United States in which to exercise its option an order, with full specifications, must be given to the proper authorities in Paris, not later than April 15, 1920, by the United States or its nominee. In default of such order these 1,200 tons of dyes will revert to their source for reapportionment among the allied and associated powers and will be for the most part lost to this country, with detriment to American interests.

While recognizing the loss that would result if these dyes were allowed to revert, the department can not take upon itself the commercial function of purchase and sale. The Textile Alliance (Inc.), of New York, therefore, provided the necessity arises, is authorized to purchase in its private capacity in the interest of the people of the United States these 1,200 tons of dyes upon the following conditions:

1. The Textile Alliance (Inc.) will select such colors and may make trades with other nations during allocation of the colors as in its judgment may seem desirable and are approved by representatives of the Department of State. The alliance will fully cooperate with the proper officials of this Government in arranging the details of this transaction.

(a) The Textile Alliance (Inc.) will undertake to furnish to the proper authorities in Paris, not later than April 8, 1920, a formal order, together with specifications for these dyes not exceeding in all 1,200 tons, such order being conditional on the dyes being of standard quality and available at prices similar to those referred to in the second paragraph of this letter, and with the additional provision that the alliance shall not be required to pay for any of these dyes until delivery is accepted and accepted for by the alliance or a transportation company acting as its agent.

(b) The Department of State will in due course advise the Textile Alliance (Inc.) to whom the purchase price of these dyes is payable, and in what manner.

2. The following conditions shall apply to the importation and sale of these dyes by the alliance:

(a) The Textile Alliance (Inc.) will not import dyes into this country except in accordance with governmental regulations as to their entry into this country.

(b) In the sale of dyes which may be imported the Textile Alliance (Inc.) will not charge prices considered unreasonable by the Department of State. It shall conform with advice as to the policy of the War Trade Board or its successors, which shall be given for the purpose of protecting generally the interests of dye consumers and manufacturers,

and it shall discriminate in no way by price or otherwise between consumers that wish to purchase such dyes.

(c) The Textile Alliance (Inc.) may sell the dye abroad with the approval of the Department of State. The following considerations shall govern such approval by the Department of State:

"The retention for a reasonable period by the Textile Alliance (Inc.) of such dyes as may be necessary for import into the United States under governmental regulations; the prevention of 'dumping,'—dyes to be sold at reasonable market prices; the arrangement of sales so that as far as reasonably possible the marketing of these dyes will not compete with the sale of dyes exported from the United States."

3. It is recommended that until imported into this country for sale as provided above, the dyes shall be kept stored outside of this country.

4. The net profits accruing from the sale of these dyes by the Textile Alliance (Inc.) shall be paid into the Treasury on such conditions as shall be authorized by the Secretary of State and the Secretary of the Treasury: *Provided, however,* That the Textile Alliance (Inc.) may retain as a reserve fund to meet accruing expenditures such sums as may be agreed upon between the alliance and the proper officials of the State and Treasury Departments.

I am, gentlemen,

Your obedient servant (for the Secretary of State).

FRANK L. POLK,  
Undersecretary.

JUNE 30, 1920.

The TEXTILE ALLIANCE (INC.),  
New York City.

GENTLEMEN: By agreements entered into in connection with the peace negotiations, the German Government has given the allied and associated powers options upon certain dyes of German manufacture, which options the United States Government has not yet exercised upon the following:

(a) Dyes herein referred to as Option A, being the final apportionment of impounded stocks covered by inventories of the German manufacturers as of August 30, September 5, 19, and 27, 1919. This option will expire August 10, 1920, if the United States does not by that date notify the Reparation Commission of its intention to exercise the option and specify the kinds and amounts of dyes wanted and furnish shipping directions to the German factories not later than September 1, 1920. You are in possession of the inventories referred to, containing prices, also lists showing the amount of each dye to be apportioned and this country's share. These inventories and lists will be identified for the purpose of any undertaking that may be entered into.

(b) Dyes herein referred to as Option B, being the present existing stocks manufactured between the dates of February 1, 1920, and June 30, 1920, both inclusive. Lists with prices are furnished by the Germans of dyes manufactured monthly. The option upon such dyes expires 90 days after each list is furnished to and approved by the Reparation Commission. None is yet approved. You are in possession of certain of these lists and others are to be furnished you in due course, all of which will be identified for the purpose of any undertaking that may be entered into. An agreement of similar nature is in contemplation whereby the United States shall have an option upon specified portions of the following:

(c) Dyes herein referred to as Option C, being the amount that may be produced by German manufacturers during the period of about five years, beginning with July 1, 1920, which amount it is said may be substantially the entire dye production of the German manufacturers in excess of the quantity required for current domestic consumption in Germany. It appears that in order to participate in Option C the United States must shortly express its intention of doing so without, however, committing itself to order, take or pay for any dyes whatsoever, but nevertheless preserving its right to such kinds and amounts within the limits of the option as it may from time to time desire after the dyes have been produced and definite prices established, which shall not exceed the lowest prices at which the Germans currently sell the same dyes to any purchaser, German or the other. There are known to be available under Options A and B appreciable amounts of colors now needed by American consumers and other colors which are quite certain to be badly needed a little later. It is reasonably certain that if Option C is not availed of consumers in this country will be at a serious disadvantage with foreign competitors. The Department of State, therefore, deems it essential that this option be exercised and that a suitable concern be found or forced to undertake the matter. Through previous similar undertakings the Textile Alliance has become experienced in these matters, and its services have been satisfactory to this department.

In view of all the foregoing circumstances the Department of State desires and requests and hereby authorizes the Textile Alliance to undertake upon the following terms and conditions, under Option A and Option B and also, if later found to be necessary, under Option C, the purchase of such available dyes as may be necessary for American consumption, or, in discretion of the Textile Alliance for foreign resale, as hereinafter provided:

1. It is understood the obligations to purchase on the part of the Textile Alliance pertain only to dyes of standard or pre-war quality. The State Department will render such assistance as may be proper to obtain redress in cases of dyes delivered being of inferior quality.

2. The prices to be paid by the Textile Alliance for all dyes that it may order under Options A and B shall be the price in marks that are quoted in the lists referred to, but payment shall be in dollars at the average rate of exchange established by the Federal reserve bank in New York for the week prior to the date of the bill of lading from point of origin.

3. No dyes shall be ordered for domestic consumption unless requested of the Textile Alliance (Inc.) by consumers or selected by the Textile Alliance and approved by the Department of State.

It shall be within the discretion of the Textile Alliance to order under Options A and B whatever dyes it may deem advisable for sale or exchange abroad, which sale or exchange shall be such as the Textile Alliance may deem to be satisfactory and without prejudice to the interests of American consumers and producers of dyes, it being understood that the Textile Alliance shall use its utmost endeavor to secure for American consumers the maximum amount of dyes wanted that are not produced in this country.

It shall be within the province of the Textile Alliance (Inc.) to negotiate for the sale of stocks of dyes included in Options A and B held through purchase or exchange by the Textile Alliance other than those dyes listed as importable by the Department of State, and to sell the same for consumption abroad to any firm, corporation, or individual in any country in the world, including the United States, its possessions and protectorates, providing the price charged by the Textile Alliance (Inc.) will in its judgment be fair and reasonable and not so

low that such sale or sales might be considered as "dumping" of the dyes, or that when goods are dyed therewith the sale price of the dyes would allow foreign manufacturers of finished products to compete with American goods at a price impossible for American manufacturers to meet, or that so far as is reasonably possible the marketing of these dyes will not compete disadvantageously with the sale of dyes exported from the United States.

4. There shall be no obligations upon the Textile Alliance to receive or pay for any dye whatever excepting such kind and amount as it may order, and no obligation, excepting in the case of Option A, to order any dye until it shall have been manufactured, the price, rate of exchange, and terms definitely fixed, and a firm order received from consumer with suitable provision for payment. Both the Department of State and the Textile Alliance (Inc.) each reserve the right to abrogate at any time this agreement with respect to Option C dyes, without prejudice to anything to which the Textile Alliance or the Department of State shall at that time be committed.

5. No dyes shall be imported into the United States for domestic consumption without the approval of the Department of State or its nominee.

6. There shall be no discrimination in the sale of imported dyes in favor of or against any consumer in the United States, and the prices at which dyes are offered or sold for consumption in the United States shall be subjected to the approval of the Department of State or its nominee.

7. Upon the conclusion of the operations under this agreement by the Textile Alliance, the surplus moneys, if any, after the payment of all other expenses, shall be disposed of in the following manner to meet the conditions of underwriting which the Textile Alliance feels obliged to secure for its protection in connection with these operations:

"One-half to be paid into the United States Treasury. One-half to be retained by the Textile Alliance as a revolving fund so long as need may appear for funds to carry on other work upon request of the Department of State, and when such need shall have passed, the Textile Alliance shall devote one-half of the said revolving fund to educational and scientific institutions conducted for public benefit and not for profit; the remainder to be paid into the United States Treasury. Moneys paid into the Treasury shall be disposed of as Congress may direct. The Secretary of State, however, will make recommendations to Congress that said moneys paid into the Treasury be appropriated for educational and scientific purposes."

If any liabilities appear to exist upon the conclusion of operations, the Department of State will allow sufficient funds to be retained by the Textile Alliance (Inc.) to cover such liabilities.

It is contemplated settlements shall be made upon the conclusion of each operation if practicable.

8. Upon the acceptance of these undertakings by the Textile Alliance the Department of State shall instruct the embassy at Paris to notify the Reparation Commission, the German Government, and the German manufacturers that the Department of State has empowered the Textile Alliance (Inc.) to order and receive any or all of the dyes in question within the limits of the options on the understanding that the dyes so ordered shall be of standard quality and that all directions pertaining thereto will be given by the Textile Alliance direct to the German manufacturers or to the Reparation Commission through the proper American representatives.

9. The Department of State shall in due course advise the Textile Alliance to whom and in what manner the cost of the dyes shall be paid. The Textile Alliance shall not be obliged to pay for dyes until shipped and until the receipt of a bill therefor, nor shall it in the event of a deferred bill be obliged to pay more than the agreed prices with such interest, if any, as the Textile Alliance may have received thereon subsequent to the date of shipment.

10. At intervals of three months, or at such other times as the department may designate, the Textile Alliance shall render reports to the Department of State indicating the dyes that have been ordered, showing how disposed of, and at what prices. The Department of State shall have a right to audit the accounts covering transactions under this agreement if desired. Should the transactions of the Textile Alliance as evidenced by these reports or audits be unsatisfactory to the Department of State it shall have the right to require such changes as it may desire with respect to future transactions.

11. The Department of State will extend whatever assistance it may consistently offer in overcoming any obstacles the Textile Alliance may encounter in marketing dyes ordered under Option A.

I am, gentlemen,

Your obedient servant (for the Secretary of State).

NORMAN H. DAVIS,  
Undersecretary.

(Statement to the press for release in the — papers of September 3, 1920.)

WAR TRADE BOARD SECTION,  
DEPARTMENT OF STATE.

#### GERMAN DYESTUFFS.

The United States Government, through the War Trade Board section of the Department of State has, in the interest of the people of the United States, authorized the Textile Alliance (Inc.), of New York City, to undertake, without profit to itself, the following action in connection with reparation dyes:

(1) To purchase certain dyes, being the final apportionment of impounded stocks covered by inventories of German manufacturers as of August 30, September 5, 19, and 27, 1919, in order that certain dyes which are not manufactured in this country and which are included in these impounded stocks might not be lost to the United States with detriment to American interests.

(2) To purchase dyes from the present existing stocks manufactured by Germany between the dates of February 1, 1920, and June 30, 1920, both inclusive, in order that certain dyes which are not manufactured in this country and which are included in these stocks might not be lost to the United States with detriment to American interests.

(3) If found to be necessary and advisable to purchase such dyes as may be required and ordered through it by American consumers from future daily production of German manufacturers for the four and one-half year period commencing July 1, 1920.

(4) The authority of the Textile Alliance (Inc.) to resell to American consumers the dyes acquired as above provided is subject to strict provisions regarding selling price and manner of sale, for the purpose of insuring fair and equal treatment to all consumers who may wish to avail themselves of the opportunity offered.

The Government has decided to exercise its option upon German impounded stocks and has authorized the Textile Alliance (Inc.) to pur-



chase these stocks in the interest of the American consumer. Under existing regulations of the War Trade Board section no dyes from these stocks may be imported by the Textile Alliance (Inc.) which are either manufactured here or for which suitable substitutes are manufactured here on reasonable terms as to price, quality, and production. No consumer will be allowed to receive more than a six months' supply of any dye at any one period from this source. Practically the same understanding is in effect regarding the daily production of the German factories from February 1 to July 30, 1920.

Regarding the subject of future daily production, the Department of State has received information which would indicate that for some time to come the German factories will not be in a position to supply all expected requirements of the allied and associated countries and to fill Government orders emanating from these sources. If these indications are correct, it would appear that unless this Government indicated a desire to exercise its option on future daily production and should render available machinery which would make it possible for American consumers, if they so desire, to obtain colors from this source, the American consumer might not be able to get such German dyes as he required. The consumer should clearly understand that he is not obligated or even advised to place orders through the machinery made available by the Government. If he believes that German dyes may be obtained from unofficial sources, he may, subject to the then existing import regulations, either order such dyes as he needs direct from the German manufacturer or through such agent or agency as he may designate.

If the consumer, however, can not obtain, or believes he can not obtain, dyes by other means, the Government can exercise its option on the subsequent daily production of the German factories and the Textile Alliance (Inc.) can transmit his orders for purchase from official sources.

REPORT OF E. S. CHAPIN, PARIS REPRESENTATIVE OF THE TEXTILE ALLIANCE (INC.), WHO RETURNED TO NEW YORK SEPTEMBER 27, TO THE DYE ADVISORY COMMITTEE OF THE STATE DEPARTMENT, SEPTEMBER 29, 1920.

I will divide the report into four parts: First, the Herty option colors; second, the reparation colors from the impounded stocks; third, German daily production and the future; and fourth, general comments.

#### HERTY OPTION.

The orders placed with the cartel by the Textile Alliance from assignments to them of licenses under the first six months' allocation amounted to 1,700,000 pounds. Up to September 7 the cartel had delivered or were preparing to ship 1,200,000 pounds, approximately 70 per cent of the total orders. Of this, 374,000 pounds have been shipped from reparation sources, and 800,000 pounds, or 400 tons, have been shipped under the Herty option. There have been 124,000 pounds of cancellations, about 7 per cent of the total orders, leaving 397,000 pounds—that is, about 23 per cent—still to be delivered.

Orders placed were divided into vats and nonvats: 460,000 pounds of vats and 1,240,000 pounds of nonvats. The vat color orders are of especial interest. Of these, 83 per cent have been delivered. The cancellations of vat colors were practically negligible—that is, only 3,000 pounds—about two-thirds of 1 per cent. Of the 385,000 pounds of vat colors delivered 134,000 pounds have come from reparation and 251,000 pounds have been shipped under the Herty option.

The most notable aspect of the delivery of colors under the Herty option is the change in the attitude of the Germans from apparent hostility to active cooperation with the Textile Alliance. In February and early March they had offered against the Herty option the small sum of 192,000 pounds and gave little promise or encouragement of being able speedily to deliver further quantities. In the last four or five months, however, they have been able to deliver an additional 600,000 pounds.

As regards the vat colors, in March they stated that they could deliver about 40,000 pounds and held out no promise nor encouragement of being able to ship large quantities in the future, but since then they have shipped 210,000 pounds.

The record of the Badische Co. is especially interesting in connection with this change of attitude and improvement in performance by the Germans. The Badische Co. received 43 per cent of the orders placed; that is, 732,000 pounds out of 1,700,000 pounds; and of the vat colors 70 per cent of the orders; that is, 318,000 pounds out of 360,000 pounds. To date the Badische have delivered 625,000 pounds; that is, 85 per cent of their total orders; and of the vat colors they have delivered 280,000 pounds; that is, 89 per cent.

For months in letters and personal interviews various representatives of the cartel have insisted upon the "bonne volonté" of the cartel and their desire to do everything possible to cooperate with the Textile Alliance and to send their colors to the consumers in America.

Some comparisons are at times interesting and to the point. I was told by a British authority that Great Britain had secured on the free market up to August 1, 200 tons of German dyes. This should be compared with our figures of 400 tons as of September 7 plus the unknown quantity imported into the United States under license through other channels. It is quite evident that the cartel have made unusual efforts to send a large proportion of their free production to the United States. That they are anxious to sell to the United States came out quite strongly during my last trip to Germany. The representative of one of the factories asked me if they could not secure some more Herty option orders. I was in Frankfurt on the 1st of September when the cartel was holding a special meeting and had at that time several interviews with representatives of different factories in which they showed the greatest desire to cooperate in numerous ways to place their colors in America.

#### REPARATION COLORS FROM THE IMPOUNDED STOCKS.

In the first place, we must note that the impounded stocks were not so large in tonnage as was currently believed last fall. Erroneous information then placed the impounded stocks at 40,000 tons, of which one-half—that is, 20,000 tons—was to be divided among the Allies. As a matter of fact, the total of the August 15 inventory of impounded stocks was 20,000 tons, of which 50 per cent—that is, 10,000 tons—was to be distributed among the Allies. There were in the impounded stocks 13,000 different types of colors.

The distribution of the impounded stocks among the Allies was done in two divisions: First, a division of 5,200 tons, commonly known as the 5,200-ton agreement, or the protocol of November 4. According to this arrangement the different allies were permitted to select certain colors not to exceed a certain percentage of each color and a certain gross tonnage; that is to say, the United States was allowed to choose 10.22 per cent of any color in the impounded stocks not to exceed a

gross tonnage of 1,500 tons. France, for instance, was allowed to select 15 per cent of any color, not to exceed 1,000 tons, etc. Great Britain had the same allocation as the United States.

The United States allocation of 1,500 tons was taken in two different lots, known respectively as the 300-ton lot and the 1,200-ton lot. The 300-ton lot included the 374,000 pounds above mentioned as having been shipped against the first six months' allocation orders. It also included 76 tons of indigo paste, 20 per cent, which were given by the United States representatives in Paris last winter to Belgium. The balance of the 1,500 tons has been called the 1,200-ton lot.

The cause of the division of the 1,500 tons into two lots, ordered at different periods, was the method of providing payment. The Textile Alliance received, as is well known, the money for the 374,000 pounds of reparation dyes applied against the first six months' allocation orders before placing orders with the cartel, but for the balance of the 1,500-ton lot had neither orders nor money. Further sound policy required that money must be in hand, or underwriting guarantees of payment, before the dyes should be ordered. In this emergency, in the interest of the United States and of American consumers, a few individuals, with the support of your underwriting committee, came forward and, by providing underwriting, saved the balance due the United States from the 5,200-ton agreement.

The balance of the stocks was divided among the Allies according to a different system. The dyes were divided into 13 groups, according to their nature; that is to say, whether alizarin red, vat color, indigo paste, direct cotton, or acid, and so on. These different classes were divided among the Allies according to their different percentages, roughly corresponding to the needs for home consumption of the Allies. Thus the percentage of the United States for indigo paste was 5 per cent, because this product was not needed in the United States, whereas for indanthrene blue GCD, which was needed, the percentage was 55 per cent.

The second division, known as the pool, that is to say, the balance of the impounded stocks, amounted roughly to 5,000 tons. Here again we were confronted with the financial difficulty of the necessity of providing funds or underwriting before we could place orders for our allocated portion of dyes from the pool; again the difficulty was solved by the underwriting already mentioned. The pool contained many types in very small amounts and also many types and mixtures that it was not desirable to order. The gross of our orders after the New York office and the Paris office of the Textile Alliance had scanned the figures of the pool amounted to approximately 500 tons.

To summarize: The total of our orders from the impounded reparation stocks amounts to 2,000 gross tons, or, to be exact, 4,435,635 pounds.

Of these 2,000 tons, 190 tons have been applied to fill orders under the first six months' allocation, approximately another 100 tons of importable colors have been sold to consumers in the United States; 76 tons of indigo paste were given by our representatives in Paris last winter to Belgium, and 450 tons of indigo paste have been sold to China. The balance is about 1,200 tons.

The Textile Alliance has rented a warehouse in Antwerp in which these 1,200 tons are now stored or to which they are in process of shipment. Of the 1,200 tons in the warehouse about one-half can be classed as colors that may be imported into the United States. We have thus approximately 600 tons of nonimportable colors.

Early realizing that the amount of nonimportable colors from the impounded stocks would be considerable, on my first trip to Germany in May I took up with the Frankfurt people the matter of exchanging nonimportable colors for importable colors. At that time the answer was that they had nothing to give in exchange. On my last trip, however, I found a different state of affairs. The manufacture of the factories had increased considerably during the summer and there was a willingness to make trades.

I have also taken up with our various allies the matter of exchanging our nonimportable colors for importable colors and this is still in process of negotiation.

By securing all of the colors from the impounded stocks that were of value and to which the United States had the right we have thus built up a reserve of products which can be used either directly for the benefit of the consumers of the United States or else indirectly by exchanging the nonimportable for the importables. After making all the exchanges possible of nonimportable for importable colors we are preparing to sell the balance of nonimportable colors.

I have already compared the 400 tons of dyes the United States has received under the Herty option with the 200 tons received by Great Britain from the free market. In this matter of the shipment of reparation dyes a brief statement of what our allies have been doing will be interesting. The British found considerable difficulty in distributing the reparation dyes allocated to them. Doctor Philippi, of the Cassella Color Co., made a trip to England in August in order to assist in facilitating the distribution and avoiding further delay. Last April Herr von Weinberg and his secretary, Director Molner, made a trip to Italy, in the course of which they assisted the Italians similarly in distributing their dyes and avoiding the difficulties found in dealing with such a complicated matter. The French Government distributed colors very actively among French consumers but nevertheless there was considerable complaint. Belgium's problem was simpler because of the small amount of colors received and they appear to have been dealt with quite successfully. None of the above-mentioned countries have had to contend with the most serious problems which faced the United States, namely, the Rotterdam strike and the distance from Germany.

#### GERMAN DAILY PRODUCTION AND THE FUTURE.

The treaty provides that the Allies may exercise an option on 25 per cent of the daily production of the German factories for the period specified in the treaty. It further provides that in the event that this production is below the normal the Allies may require 25 per cent of the normal production.

The question of just what "normal production" means has not yet been settled by the Reparation Commission. In the meanwhile the Reparation Commission has exercised this option and is accepting 25 per cent of the actual production of the German factories. This daily production it has been arranged to divide among the Allies very much in accordance with the scheme by which the pool was divided among the Allies, that is to say, the different colors produced are divided into classes according to their nature, and the classes divided among the Allies according to different percentages corresponding approximately to the estimated needs of the various Allies.

During last winter the various Allies exercised very stringent supervision over the activities of the German factories. In order to break this control the Germans came forward in January and offered to supply all the needs of the Allies irrespective of the treaty stipulations, provided control was lifted from the factories. This proposition was



accepted, and in February and March the different Allies were busy in preparing a list of the requirements to be submitted to the Germans.

Our representatives were not in accord with the proposal, but as the French, Belgium, and Italian Governments were insistent on their needs of the dyestuffs, and that the proposal should be accepted, our representatives did not feel that they could negative an offer on the part of the Germans to supply to the Allies all their requirements. Accordingly, in May, after much discussion and many meetings, the lists of the requirements of the different Allies were forwarded to the Germans. This proved unacceptable to the Germans, and this first proposal accordingly fell to the ground. Since then a new protocol has been drafted by the Dyestuff Bureau of the Reparation Commission. This new arrangement has not yet been discussed with the Germans and indeed has not yet been put into final shape by the Dyestuff Bureau of the Reparation Commission. It is expected that in late October the new protocol will be discussed by the various bodies of the Reparation Commission and will be ready for discussion with the Germans in November.

In the meanwhile the Germans are putting aside 25 per cent of their daily production, and this is allocated to the Allies in accordance with class and percentage. In order that the Allies may know what the Germans are making, on the 15th of each month the Germans submit a statement of the 25 per cent due the Allies from their production of the previous month. This includes every color produced, a statement of 25 per cent of the amount produced, and the price to the Allies, which according to the arrangement is the lowest price quoted during the month of production to any buyer, German or otherwise. A brief analysis of the quantitative and qualitative production of the German factories for the past six months will be of interest.

The total production of the German factories in the month of February, the first month for which a daily production list was submitted, was 1,600 tons, approximately 10 per cent of their pre-war capacity. This production has steadily increased—2,400 tons in March, 3,300 tons in April, 3,800 tons in May, 4,800 tons in June, and 5,500 tons in July—thus, from approximately 10 per cent of their pre-war capacity in the course of six months to 33½ per cent.

From the standpoint of consumers of dyestuffs in the United States this rapidly increasing production on the part of the German factories is not so satisfactory as might at first appear, for a large part of the increase in production is not the Herty Option colors, the colors desired by the consumers in the United States, but the big bulk colors, the colors that are being made by American manufacturers.

Take the three months—May, June, and July. The total production by all the German factories of vat colors and fast alizarin colors, which are especially desired by consumers in the United States, was approximately 800 tons. During the same period the production of indigo 20 per cent paste, direct cotton colors, acid colors, and sulphur colors amounted to 8,600 tons; that is to say, eleven times as much as the production of vat colors and fast alizarin colors.

Further, while the production of the vat and alizarin type dye is increasing slowly from 228 tons in May to 261 tons in June and 272 tons in July, the production of the type dyes made in the United States is increasing by leaps and bounds from 2,400 tons in May to 2,800 tons in June and 3,800 tons in July.

The large German production of dyes of the same type as are being made in the United States is evidence of the necessity of special protection for the American industry. The relatively small German production of dyes of the Herty Option type explains the 25 per cent of the first six months' allocation orders still to be delivered.

The question naturally arises whether the Germans can not produce more of the special colors desired by the United States. The arrangement which is being considered by the Reparation Commission aims to effect this purpose. The Germans do not like the necessity of putting aside 25 per cent of every color which they make during the month for the Allies, and especially dislike the necessity of holding this 25 per cent against future orders, more or less problematical. Accordingly, the Germans are inclined to consider a permanent proposition which will do away with the necessity of their putting aside 25 per cent of their daily production. The future of the supply of German colors to the United States is linked up with this permanent proposal. According to all indications when I left Europe it seemed almost certain that the permanent proposal would be adopted in the course of a few months.

#### REPORT OF EDWARD S. CHAPIN, PARIS REPRESENTATIVE OF THE TEXTILE ALLIANCE (INC.), TO THE DYE ADVISORY COMMITTEE OF THE STATE DEPARTMENT, SEPTEMBER 22, 1921.

A new protocol governing the delivery of dyes has recently been adopted by the Reparation Commission. The provisions of this protocol bid fair to revolutionize the situation as regards German dyes in allied countries.

Before considering this protocol it will be necessary to review briefly the steps leading to its adoption and, in particular, significant developments in the work of the Textile Alliance since the report before this committee made last year, September 29, 1920.

Annex VI of the treaty of Versailles accorded the Reparation Commission an option on 50 per cent of the existing stocks of dyes in Germany and an option on 25 per cent of the German daily production.

The option on the existing stocks was exercised based on an inventory taken August 15, 1919. The inventoried stocks amounted to 20,000 tons; the 10,000 tons due the Reparation Commission was distributed among the allied and associated powers. The United States has taken 2,000 tons.

In my report of last year to this committee on September 29 I stated that 800 tons of this 2,000 had been distributed, certain lots of importables to America, indigo to Belgium and China, and that the 1,200 tons which remained were being warehoused at Antwerp; that of these 1,200 tons approximately half were importable; and that the nonimportables we were preparing to sell on the export market or to exchange.

Of the 600 tons considered importable only about 75 tons have been imported. This was due to the depression of last fall and winter and the tightening of control at home. The selling of the balance on the export market was investigated, and it was decided—first, that only a fraction could be marketed to advantage; and second, that it was unwise to make export resales of reparation stocks on the European or Far Eastern markets. In lieu we have exchanged about 1,000 tons with the German color works for special and importable types. We turned back these 1,000 tons to the German color works at approximately four times their cost to us and received in exchange 264 tons of special types for which we paid prices ranging from Herty price to Herty price less 20 per cent. There remain of the original stocks about 125 tons, 96 tons of intermediates, which the Germans have refused to take back and dyes from smaller factories that have not been able to offer suitable types in exchange.

The option on 25 per cent of the German daily production was exercised by the Reparation Commission in February, 1920. The United States has ordered from daily production only importable types. The amounts available have been relatively small, and accordingly our total orders for the past year and a half from daily production have amounted to only about 180 tons.

The question arises, Why did the United States take such large quantities of nonimportables from the inventoried stocks? This was because due to the rapid fall in German exchange in the fall and winter of 1919-20 these were remarkably cheap, and, offered with a minimum of financial risk, a means of indirectly securing increased quantities of desired types, i. e., by exchange.

With daily production no such possibility had existed. The color works early in 1920 began to raise prices. Accordingly we have ordered from daily production only such products as could be freely imported and sold at home.

German daily production in February, 1920, was 1,600 tons and increased rapidly to 5,500 tons in July, 1920. This monthly production was maintained despite the general trade depression until December, 1920, when a 10 per cent reduction occurred. In February, 1921, there was a sharp drop to 3,600 tons, due in part to a strike at the Bayer plant and in part to general curtailment. Since February the monthly production has averaged 4,000 tons.

Let us consider the production of specialties, the vat and the alizarin colors. Taking the high point month of July, 1920, for comparison, the proportion of vat colors to total production has steadily increased from 2.88 per cent in July, 1920, to 4.35 per cent April to July, 1921. The proportion of alizarin colors, on the other hand, after a sharp rise, declined greatly—from 2.09 per cent in July, 1920, the proportion rose in September, 1920, to 3.02 per cent, then steadily declined to 0.75 per cent in March, 1921. Combining the percentages of the two groups, there has been an increase in the past year from 4.97 per cent in July, 1920, to 6.18 per cent in July, 1921, and these latter figures compare favorably with the proportional pre-war production of these products.

The question arises, Why, then, has the Textile Alliance had so much difficulty during the past year in securing from daily production supplies of these types? For three reasons: First, the Reparation Commission has an option on only 25 per cent of the German daily production, and this 25 per cent is divided among five powers. The percentage of the 25 per cent reservation of these types accorded the United States is large, 40 per cent; but even this only gives 10 per cent of the German daily production. Second, measurable quantities of the dyes produced have been types not demanded by the American trade. Third, allocations to the various powers are only reserved for three months from the approval of the monthly lists, after which unordered quantities may be taken freely by any of the Allies entitled to receive reparation dyes. This includes not only Great Britain, France, Italy, and Belgium, but also Japan, Greece, Rumania, and the Yugoslavonian State. Consequently where the United States has not ordered its allocation within the prescribed three months these quantities have frequently been absorbed by other powers.

The total of 180 tons secured by the Textile Alliance (Inc.) from the daily production of the past year and a half is inadequate to the needs of the American consumers.

This would seem to defeat the purpose of Annex VI, which aimed to supply allied consumers, through the Reparation Commission, with sufficient quantities of desired types. A strict interpretation of the provisions of the treaty would have gone far to remedy the situation, but this the Reparation Commission has declined to do.

One of the reasons for exchanging rather than selling the Antwerp stocks was the fact that this would give increased supplies of special types. By the exchange of the Antwerp stocks we have secured in the past three months 264 tons of special types, more than the entire amount secured from the daily production of the past year and a half; further, these types were secured at very advantageous prices.

Exchange of stocks has for the time being given increased supplies of required types, ready for immediate delivery; but it was recognized that these would soon be exhausted and that the old, unsatisfactory situation would continue unless a new arrangement could be worked out which would give larger supplies of required types. Such an arrangement is the new protocol which has just been negotiated between the Reparation Commission and the Imperial Government.

The new protocol provides that the Germans shall deliver such quantities as may be ordered by the Allies, irrespective of whether the amounts demanded exceed 25 per cent of their production. The only limits are the capacity of the Germans to produce and the domestic requirements of the Allies. Orders are to be placed in advance, once every three months. The low reparation price will apply to an amount of each of the dyes to be determined by common agreement between the Reparation Commission and the Imperial Government. For the quantities superior to this amount the price will be the lowest price quoted any buyer in the country receiving the dyes the month preceding or the month of delivery.

In short, the Germans agree, as far as possible, to accept and fill the orders of the Allies and to deliver at prices lower than to agents outside reparation.

The new protocol insures—

First, that dyes needed to supplement the manufactures of domestic producers can actually be secured.

Second, it places the control of the importation and distribution of these dyes in the hands of friends of American producers.

The new protocol places no limit on the quantities that may be ordered by the Allies, except the capacity of the Germans and the domestic requirements of the Allies. The Allies may even exhaust the entire German manufacture of any desired type. The Textile Alliance can even order the entire American requirements.

It was an appreciation of these facts that caused the Germans to resist long and tenaciously the protocol. Why did they sign? For two reasons principally: First, they wanted orders. The world-wide depression had affected their business. Under the old arrangement orders through the Reparation Commission were relatively small. The new protocol promised increased orders. Second, it was a case of must. The German Government agreed in May, 1921, to pay the Reparation Commission for the ensuing year 2 milliards of gold marks plus a sum equal to 26 per cent of the German exports. The memorandum of the German Government outlining how these payments will be made includes an item of pharmaceuticals and dyes to the amount of 43,000,000 gold marks.

According to the new protocol, it will be necessary to order in advance. I have canvassed the home situation with the New York office of the alliance and with Mr. Moorhouse, and we have prepared a modest list of 90 tons, which we suggest should be ordered as a preliminary trial of the advantages of the new protocol. We estimate that about 55



per cent of this list will be at the low reparation price and 45 per cent will be at the American export price, the price quoted other importers. Under the present conditions of exchange the reparation price is one-third to one-quarter the American export price.

The alliance would be thus reasonably safe against market declines. First, because such a large proportion of the orders would be at low reparation prices, and, second, because the price for the quantities delivered at the American export price would always be the lowest price charged to any buyer in the United States the month preceding or the month of delivery.

This brings us to the question of distribution. Little avails the new protocol if distribution in America fails. If the German agents reach the consumer and the alliance does not, things continue as before.

An illustration of this fact is happily at hand. Bulletin No. 39 has just been issued to the trade. This bulletin comprises the exchange quantities and various reliquats from previous lots. Except from one customer, the orders which have been received are small; the total orders amount to about one-fifth of the quantity offered.

To insure that the largest circle of consumers shall have the benefit of the dyes listed in Bulletin No. 39, the preliminary offering through the bulletin should be supplemented by personal calls on the trade by a representative of the alliance. It can scarcely be doubted that such calls would result in the early distribution of the great part of the quantities offered.

Many consumers hesitate to order through the alliance because they are not sure of regular supplies. No mill wishes to start using a dye if presently supplies are not available. A representative of the alliance calling on consumers and explaining the possibilities from the new protocol would perform a genuine service. He would be able to find out the bona fide requirements of consumers to supplement the products furnished by American producers. Their requirements could be immediately put together into a program of manufacture to be submitted to the Germans. In this way consumers could be assured of regular supplies through the alliance, and the distribution problem would be solved.

I might even suggest that this be carried a step further. Some few months ago, when the lists of dyes were being prepared for the exchange transaction, certain quantities of certain types were declared importable, but when those quantities reached America American manufacture rendered them nonimportable. A posting of the alliance by producers of the dates when they expect to bring on the market new types would enable the alliance to avoid in the future ordering such products.

The new protocol leads inevitably to the lodging of all the business in German dyes in America in the hands of the Textile Alliance; it serves alike the interests of producers and consumers; it gives added protection of the American industry, in conjunction with the embargo control at home; and makes available to consumers the widest latitude in the choice of dyes.

Let us consider briefly the situation if the embargo control is given up: This would open the American market to accumulated stores of reparation dyes and dyes of foreign manufacture which are now nonimportable.

Reparation dyes in considerable quantities are being held by various of the Allies. The head of the French Union informed me the other day that they had on hand 1,320 tons. I understand that Great Britain has between 1,500 and 2,000 tons. No figures have been received from Italy, but inasmuch as Italy has taken in gross tonnage nearly as much as Great Britain, and in actual value more, with a smaller domestic consumption, it is possible that Italy has on hand as great a tonnage as Great Britain, i. e., about 2,000 tons. Belgium appears to have cleaned up well on her takings. Japan has a considerable reliquat of unsold reparation dyes. Other powers receiving reparation dyes have small balances. All told, the total of reparation dyes in the hands of the various powers amounts to assuredly not less than 5,000 tons.

The explanation of these unsold balances in the hands of our allies comes from the fact that in an endeavor to swell their reparation accounts they ordered freely both from the inventoried stocks and from daily production, and far in excess of the domestic requirements. During the past year various of the Allies sought to realize on these dyes by export resale, hence the Italian sales to various importers not only in the United States but also in France. The Belgians complained, and, by a curious coincidence, also the Italians, that their home markets were being disturbed by export resales of reparation dyes by the other powers. France complained that not only the home but also the neutral markets were being disturbed. Fortunately it was it for the United States for the success of more important affairs that we refrained from such sales in the markets of the Allies.

For the past five months the question of export resales has been before the commission. A strong resolution was passed in July, in which all the Allies concurred, to prevent the resale of products ordered in the future. The great difficulty has been with the old stocks, which were sold to the respective Allies with no strings attached. A recent far-reaching decision of the commission, due largely to the insistence of the American delegation, bids fair to decrease and even to prevent dumping resale of stocks. According to this decision the most efficient measures are to be formulated so that deliveries of dyestuffs to the Allies on reparation account should not have the effect of injuring nascent industries in the allied and associated countries by undue disturbance of world markets.

Among the measures contemplated is the stipulation that each Government shall offer these stocks to the other allied Government organizations.

These reparation dyes in the hands of the Allies constitute only a small part of the stores of dyes that on the raising of control would become importable.

Eleven thousand tons are known to be in the German factories, consisting of that portion of the 25 per cent reservation of the past year which has not been ordered by the Allies. This is reverting to the Germans. Large as these quantities are they must be increased by the unsold portion of the free 75 per cent of the German daily production and the surplus of British, French, Swiss, Italian, and Japanese manufacture. Further, there are measurable quantities of dyes purchased by our allies on the free market from Germany which remain unsold. Thus in 1920 the British bought freely at virtually Hertz prices. I have been told by two British authorities that they now have left 300 to 400 tons, which cost approximately \$2,000,000. This should be compared with our record for the original 850 tons ordered in February, 1920. Of this quantity 84 per cent was delivered, and of the vat color 96 per cent.

The situation is thus set for the demoralization of the home market by dumping. In this situation the rights that come from relationship with the Reparation Commission would enable the alliance to stabilize

the market. By the purchase of reparation stocks, either from allied organizations at low prices or by the purchase of a certain quantity of types made in America under the terms of the new protocol, the alliance would have an advantage over any other importer. This would discourage price disturbances. To effect this it would not be desirable nor necessary to order large quantities of the types made in America—a certain minimum should suffice.

The new protocol promises even more if carried to its logical conclusion. This will not come without considerable constructive work both in Paris and in America. The new protocol was consummated as a result of two years of endeavor. The tabulations on the table give some idea of the data that it was necessary to assemble for the final negotiations of the new protocol. These data were prepared for the dyestuff bureau of the Reparation Commission by the Textile Alliance organization. The new protocol provides for future developments on the request of the Reparation Commission. Before working for further developments it will be first necessary to try out the advantages of the present protocol.

SEPTEMBER 9, 1919.

TEXTILE ALLIANCE (INC.),

45 East Seventeenth Street, New York.

GENTLEMEN: The advisory committee on dyes of the War Trade Board section of the State Department has been asked to advise the section as to what method should be adopted in disposing of the importations of German dyestuffs which are to be secured from the existing supplies controlled by the Reparations Commission.

The functions of the War Trade Board section will, of course, continue only until the ratification of the peace treaty, but the intention is to bring about immediate importation of a few months' supply of dyestuffs which are particularly needed and which are not now obtainable from domestic sources. The committee's view is that your organization is quite the most suitable for the purpose of bringing those dyestuffs into the United States and appropriately distributing them to bona fide American consumers upon the order of such consumers; that both the importation and distribution can be handled very much as your organization handled imports during the war.

With that end in view and subject, of course, to the approval of the War Trade Board section of the State Department, this letter is written on behalf of the committee to ask whether or not it is feasible for you to undertake the entire control and disposition of such importation, as you did the various articles which were brought in by you during the war.

The suggestion which we have to make is as follows:

In order to relieve your board of the work which would be involved by this undertaking, we suggest the appointment by your board of a subcommittee consisting of the following gentlemen, who would assume entire charge of the work:

Mr. Manton B. Metcalf, Mr. Frank D. Cheney, and Mr. Andrew C. Imbrie.

If you could put at the disposal of this committee such portion of your offices and office force as may be necessary, the salaries and other expenses connected with the work would be paid out of the proceeds of the undertaking.

As the proposed enterprise is certain to be temporary and might in case of prompt ratification of the treaty fall through altogether, we should expect to pay liberal salaries and agree to give such employees as were engaged in the work 90 days' notice, if necessary.

The members of the committee would also expect to guarantee the Textile Alliance against any liability in connection with the undertaking.

If the Textile Alliance would be willing to act in accordance with this suggestion in case the War Trade Board section of the State Department should approve it, I should be obliged if we may notify the War Trade Board section.

Yours very truly,

HENRY B. THOMPSON, Chairman.

THE ADVISORY COMMITTEE ON DYES,  
WAR TRADE BOARD SECTION OF THE STATE DEPARTMENT,

September 15, 1919.

MR. HENRY B. THOMPSON,

Chairman Advisory Committee on Dyes,

War Trade Board Section of the State Department,

320 Broadway, New York.

DEAR MR. THOMPSON: I submitted your letter of September 9 by mail to the other members of the executive committee of the Textile Alliance, who have, in writing, authorized me to make an arrangement with your committee such as you suggest.

At the next meeting of the committee the arrangement between us will be ratified, but will become effective only when approved by the War Trade Board Section of the State Department.

The Textile Alliance will undertake the entire control and disposition of dyestuffs and chemicals subject to the jurisdiction of the War Trade Board, and has appointed for that purpose a committee consisting of—

Mr. Manton B. Metcalf, Mr. Frank D. Cheney, and Mr. Andrew C. Imbrie, who shall have full authority on behalf of the Textile Alliance, subject to its board of directors and executive committee, to deal with the matter.

The Textile Alliance will place at the disposal of this committee its equipment and employees with the exception of Mr. Frank A. Fleisch, vice president. Rent is \$1,300 per annum. Telephone service is \$900 per annum. The force consists of—

Mr. William B. Denton, secretary and treasurer, salary \$4,000 per annum.

Mr. B. R. Price, chief clerk, salary \$3,600 per annum, which in view of increased responsibilities should be somewhat raised.

One bookkeeper—salary to be determined, as our last bookkeeper has just left. Two stenographers, file clerks, telephone operator and office boy. We estimate that two additional bookkeepers and one additional stenographer will probably be necessary to deal with the volume of business that you indicate.

The force above indicated is competent to deal with all legal, transportation, and insurance questions. Mr. Denton is a member of the New York bar and has had a large experience in the legal matters of the Textile Alliance. Should outside consultation be necessary we should expect the committee to consult Messrs. Couderc Bros., and to pay for their services.

It is necessary for the alliance to continue the existing organization for its protection, and the expenses thereof are to be defrayed from the income of the present reserve fund. The alliance will make such additions to its force as may be necessary. It is proposed that in return

for the use of the organization and of the alliance's name and the advice of the executive committee and officers of the alliance the dyestuff committee shall pay to the alliance from its receipts all of the alliance's out-of-pockets plus 50 per cent. The money thus paid is to be used for the corporate purposes of the alliance, which, generally speaking, means the good of the textile trades.

The dyestuff committee is to hold the Textile Alliance harmless against all losses or liabilities in connection with the undertaking. The alliance will lend the committee what funds are needed to start up to \$50,000 at 6 per cent interest. Ninety days' notice is to be given to the alliance at the termination of this arrangement.

Yours very truly,

TEXTILE ALLIANCE (INC.).

SEPTEMBER 16, 1919.

Mr. A. M. PATTERSON,  
President Textile Alliance (Inc.),  
45 East Seventeenth Street, New York City.

DEAR SIR: I acknowledge the receipt of your letter of September 15 and have had sent copies of it to the members of the dye advisory committee, as well as to Mr. Bennett, secretary of the War Trade Board section of the State Department.

When the plan proposed has received the approval of the War Trade Board our committee will be ready to act.

Yours faithfully,

HENRY P. THOMPSON,  
Chairman Advisory Committee on Dyes, War Trade Board.

OCTOBER 2, 1919.

WILLIAM PHILLIPS, Esq.,  
Acting Secretary of State, State Department,  
Washington, D. C.

SIR: I beg to acknowledge receipt of your letter of September 29 in the matter of German dyes and the proposed connection of the Textile Alliance therewith.

I am pleased to advise that the directors of the Textile Alliance have already authorized me to make such arrangements as are set forth in your letter with a single exception, and I feel confident that the committee will withdraw that objection in the event that the Textile Alliance is definitely asked to undertake the work.

We are sending our Mr. F. A. Fleisch, vice president and general manager, to Paris at once, and he will, upon arrival, put himself in touch with Dr. Charles H. Herty. Mr. Fleisch is thoroughly familiar with the workings of the Textile Alliance, but is not a dye expert, and it is suggested that a dye expert should be sent to Paris as soon as possible after the arrangements have been decided upon. May we suggest that you communicate also with Mr. Henry B. Thompson, chairman advisory committee on dyes, War Trade Board, in regard to the matter in general and with regard to the selection of the dye expert?

A committee of the trade has also been formed to advise with the Textile Alliance in the matter of dye importations.

Yours very truly,

TEXTILE ALLIANCE (INC.).

THE TEXTILE ALLIANCE (INC.),  
45 East Seventeenth Street, New York City.

GENTLEMEN: Referring to the department's letter of September 29 setting forth the proposal that the Textile Alliance (Inc.) should be designated as the agency to effect the importation and distribution of German dyes proposed to be secured as the result of negotiations then being conducted in Paris, and referring also to your letter of October 2, in which you informed the department that the Textile Alliance (Inc.) was prepared to act in the capacity aforesaid (subject to an exception which has since been withdrawn), the plan outlined in the first-mentioned letter has been finally completed in all substantial respects; and, accordingly, the Textile Alliance (Inc.) is hereby designated as the agency to effect the importation and distribution of German dyes under the conditions set forth in the above-mentioned letter of September 29, 1919.

The supervision of the operation of the above-mentioned plan will be conducted for the department by the War Trade Board Section, and you are requested to consult with the chief of said section with respect to all further arrangements necessary for the consummation of the purchase, importation, and distribution of the dyes which will be secured under said plan.

I am, gentlemen,

Your obedient servant (for the Secretary of State),  
WILLIAM PHILLIPS,  
Assistant Secretary.

ACTING CHIEF OF WAR TRADE BOARD SECTION,  
October 10, 1919.

Plan described last paragraph our circular October 1 has been completed. Textile Alliance (Inc.), 45 East Seventeenth Street, New York City, has been designated as sole official agency to administer provisions of plan. Persons desiring to secure dyes under plan should assign allocation certificates to Textile Alliance. Letter follows.

WAR TRADE BOARD SECTION.

OCTOBER 13, 1919.

Mr. A. M. PATTERSON,  
President Textile Alliance (Inc.),  
45 East Seventeenth Street, New York City.

DEAR Mr. PATTERSON: May I ask that you be kind enough to consider this letter as being confidential?

Mr. Price will have advised you that at the eleventh hour, after we had worked out quite satisfactorily the details of the plan under which the Textile Alliance (Inc.) will handle, on behalf of consumers, the importation of certain dyes from official sources, this section received a letter from the Grasselli Chemical Co., stating that it would insist on the rights which accrued to them as purchasers from the Allen Property Custodian of certain German-owned American patent rights relating to dyestuffs. It may be that the Chemical Foundation (Inc.) likewise the purchaser of similar patent rights from the Allen Property Custodian, will seek to safeguard those patents. Were it not that the Department of State had designated the Textile Alliance (Inc.) as an official agency for facilitating the importation of certain quantities of German dyes from official sources the department would not concern itself at all of the manner in which those patent

rights would be administered or protected by the owners. But for obvious reasons the Department of State can not establish an official agency for the importation of German dyes from an official source, which, although obtainable in part from such official source, may also be obtained from private German sources, if the Grasselli Chemical Co. and the Chemical Foundation (Inc.) will seize upon this opportunity and for the purpose of eliminating certain importers, accord to the Textile Alliance (Inc.) greater privileges of selling or using imported dyes of German origin which come within the scope of the dye patents now owned by the Chemical Foundation (Inc.) and the Grasselli Chemical Co. than would be accorded to any other private importer of American citizenship.

In view of these circumstances, two letters were mailed this morning, signed by the Secretary of State, one to the Grasselli Chemical Co. and the other to the Chemical Foundation (Inc.). I am inclosing for your confidential information copy of letter to the Chemical Foundation (Inc.), letter to the Grasselli Chemical Co. being identical, mutatis mutandis.

Unless the Grasselli Chemical Co. and the Chemical Foundation (Inc.) will give the Department of State assurances that the Textile Alliance (Inc.) will receive at the hands of the Grasselli Chemical Co. and the Chemical Foundation (Inc.), as patent owners, no greater privileges than will be accorded by those patent owners to any other individual American importer, I fear that we will have to abandon the plan to which you have been kind enough to lend your support.

I am hoping that such assurances will be given.

Meantime, inasmuch as holders of allocation certificates for the importation of vat dyes have been advised both by telegram and by letter that they may select the Textile Alliance (Inc.) as an importing agency for obtaining part of their requirements from an official source, I think it would be inexpedient to convey the foregoing information to them at this time. Inasmuch as we have already issued a large number of licenses covering much the greater part of the allocation, it is not likely that the Textile Alliance (Inc.) will receive many allocation certificates. In the event that it becomes necessary to abandon the plan, I think that we will be able to prepare a statement which will be satisfactory.

The incident referred to above is unfortunate, inasmuch as we had expected and had already, to a certain extent, been given to understand that if we designated the Textile Alliance (Inc.) it would not be selected as the recipient of greater privileges than would be extended by patent owners to other American importing agencies.

I should like very much to have an expression of your views in connection with the foregoing.

Of course, even though the department should receive the assurances referred to above, it is not likely that, in view of the large number of licenses already issued for vat dyes, the Textile Alliance (Inc.) will be called upon to import a very appreciable quantity of vat dyes. However, the plan was instituted not only to take care of the importation of vat dyes from official sources but also to facilitate the importation from such official sources of German dyes other than vat dyes.

I am inclosing herewith a copy of a circular letter which we mailed on October 8. A large part of the quantity of dyes which will be allocated as a result of this circular letter will likewise be obtainable from an official source, and it was especially with reference to the forthcoming allocation that the plan was devised.

Very truly yours,

ST. JOHN PERRITT,  
Acting Chief War Trade Board Section.

OCTOBER 11, 1919.

THE CHEMICAL FOUNDATION (INC.),  
81 Fulton Street, New York City.

GENTLEMEN: There is inclosed herewith a copy of ruling No. 825, issued by the War Trade Board section of this department on August 15, 1919. The dyes, dyestuffs, and related chemicals which are enumerated in paragraph 4 thereof are excluded from the scope of the general or blanket import license described in the ruling, and accordingly such commodities may be imported into the United States only upon issuance of such individual import licenses. When the commodities enumerated in the said paragraph 4 are of German origin the issuance of such individual import licenses is made dependent upon the need in this country of the commodities so licensed.

An urgent need in this country of certain quantities of dyes of German origin having been made manifest, the War Trade Board section has determined to issue individual import licenses authorizing the importation of such quantities of dyes of German origin as will satisfy the requirements of consumers for a six months' period. As the result of certain recent negotiations between the representatives of the allied and associated Governments and of the German Government, a substantial portion of the amount of such dyes as will be needed to satisfy the six months' requirements will be made available to consumers in this country.

The obtainment by consumers of the dyes which have thus been made available from an official source can be effected only through the establishment of an official agency in this country, and, accordingly, this department has designated the Textile Alliance (Inc.), 45 East Seventeenth Street, New York City, as such sole official agency to import and distribute, on behalf of such consumers as might wish to avail themselves of the opportunity of obtaining a part of their requirements from such official source, the dyes which will be secured as the result of the negotiations hereinabove referred to. Consumers who desire to import German dyes from such official sources must do so exclusively through the Textile Alliance (Inc.). Consumers who do not wish to import dyes from such official source may do so through any other American channel of importation.

This department is informed that the Chemical Foundation (Inc.) and the Grasselli Chemical Co. are the sole purchasers, from the Allen Property Custodian, of certain German-owned American patent rights relating to dyestuffs which had theretofore been seized by the Allen Property Custodian pursuant to authority derived from the trading with the enemy act. This department is likewise informed that the importation of certain dyes of German origin, which are included among those which will be licensed for importation to satisfy the six months' requirements of American consumers, may possibly constitute an infringement of certain of those patents which were purchased by the Chemical Foundation (Inc.) and the Grasselli Chemical Co., from the Allen Property Custodian. Accordingly, this department requests the Chemical Foundation (Inc.) to inform it on the following points:

1. In view of the present needs of American consumers for certain dyes which are not obtainable from American sources, will the Chemical Foundation (Inc.) administer the rights which may accrue to it as



purchaser of the patents referred to above, in such manner as will insure that all consumers in the United States will be accorded by the Chemical Foundation (Inc.), in all respects, the same treatment irrespective of whether such consumers obtain their six months' requirements through the Textile Alliance (Inc.), or through other private American channels of importation?

2. If the Chemical Foundation (Inc.) has determined to charge a royalty for such sale or use of imported German dyes (required by consumers for a six months' period) as might otherwise constitute an infringement of the patent rights now owned by the Chemical Foundation (Inc.), will these royalties be nominal or substantial, and will the rate of royalty be made uniform for, and the privilege of paying the same be extended to, all consumers irrespective of whether they obtain their supplies through the Textile Alliance (Inc.) or through any other American channel of importation?

3. Will the Textile Alliance (Inc.) and all other American importers of dyes of German origin be accorded by the Chemical Foundation (Inc.) uniform treatment with respect to any action which the Chemical Foundation (Inc.) may take as patent owner in relation to the sale or use of dyes licensed for importation from Germany to satisfy the six months' requirements of consumers?

This department, of course, recognizes in the Chemical Foundation (Inc.) an independence to exercise such patent rights and privileges as it may have, and accordingly this department seeks from the Chemical Foundation (Inc.) no dispensation from the possible infringement of patents owned by the Chemical Foundation (Inc.), either on behalf of the Textile Alliance (Inc.) or of private importers or consumers. However, it must be clear to the Chemical Foundation (Inc.) that the Department of State could not place itself in the position of becoming a party to any action by the Chemical Foundation (Inc.) which might result in a denial of equal rights to all American citizens in the matter of the sale or use of dyes imported from Germany.

Therefore this department would be disposed to proceed with the plan of partial importation from official sources through the Textile Alliance (Inc.) if assurances were given to the department that both the Chemical Foundation (Inc.) and the Grasselli Chemical Co. will accord the same treatment and extend the same privileges to both the Textile Alliance (Inc.) and to all other importers of American citizenship, as well as to all consumers irrespective of the channels of importation through which such consumers effect their importations. In the absence of such assurances this department would consider the advisability of recalling its designation of an official agency for obtaining on behalf of consumers such portion of German dyes as have been made available as the result of the negotiations between the representatives of the allied and associated Governments and of the German Government.

The Department of State solicits the promptest expression of the views of the Chemical Foundation (Inc.) with reference to the foregoing.

I am, gentlemen,

Your obedient servant,

MINUTES OF MEETING OF THE DYE ADVISORY COMMITTEE OF THE TEXTILE ALLIANCE (INC.), HELD AT THE MANHATTAN CLUB, 1 P. M., OCTOBER 20, 1919.

Present: Messrs. Patterson and Price, of the Textile Alliance (Inc.); Messrs. Metcalf and Cheney, dye advisory committee of the Textile Alliance (Inc.); Mr. St. John Perret, Acting Chief of War Trade Board Section, Department of State; Mr. Henry B. Thompson, chairman of the advisory committee on dyes, War Trade Board Section, Department of State; Mr. Joseph Choate, Jr., representing the Allen Property Custodian and the Chemical Foundation (Inc.); Dr. J. Merritt Matthews, representing the Grasselli Chemical Co.

Mr. Patterson notified those present of the appointment of a dye advisory committee, being composed of Mr. Manton B. Metcalf, Metcalf Bros., 45 East Seventeenth Street, New York; Mr. Frank D. Cheney, Cheney Bros., South Manchester, Conn.; Mr. Andrew C. Imbrie, United States Finishing Co., 320 Broadway, New York, N. Y. The duties of this dye advisory committee were then outlined, they to have full authority to deal with the matter on behalf of the Textile Alliance (Inc.), subject to its board of directors and executive committee.

The attention of the committee was then called to the necessity of indemnifying the directors of the Textile Alliance in connection with possible expenses and liabilities that might be incurred in taking on this work. That portion of the letter of September 9 from Mr. Henry B. Thompson, chairman of the advisory committee on dyes of the War Trade Board section of the State Department, was read into the records, i. e., "The members of the committee also expect to guarantee the Textile Alliance against any liability in connection with the undertaking." The proposed indemnification and agreement to be executed by the advisory committee on dyes, War Trade Board section, prepared by Messrs. Coudert Bros., was presented to Mr. Thompson, their chairman, who signified his unwillingness to execute same. The proposition was then put forward that arrangements be completed with either a surety or insurance company to give such indemnification to the directors of the Textile Alliance (Inc.), as was acceptable to Messrs. Coudert Bros., our attorneys, and it was proposed that Mr. Thompson handle this feature with Mr. Frederic Coudert.

The committee having failed to organize, no further minutes were taken of the conversation which took place in relation to the importation under the supervision of the State Department, War Trade Board section, and the manner in which they might be affected by contract and patent rights.

In closing, Mr. Perret expressed the desire that a statement from him, which follows, be read into the minutes.

He stated that at the close of business October 18, 1919, the War Trade Board had issued to importers other than the Textile Alliance (Inc.) 195 import licenses covering 609,344 pounds of vat dyes. He further stated that the total allocations of vat dyes made by the War Trade Board October 1, 1919, was 1,093,397 pounds; that the total quantity of vat dyes which would be available from official sources would approximate 30 per cent of the entire allocations. He continued with the statement that the War Trade Board in approximately 10 days' time would make allocations to the consumers for six months' requirements of dyes other than vat dyes and that the War Trade Board contemplated asking the Textile Alliance (Inc.) to handle such part of that allocation as was made from official sources in a like manner as they propose to handle the vat dyes.

Mr. Perret requested the Textile Alliance (Inc.) to state whether it was disposed to proceed with the plan mentioned above in connection

with the dyes other than vat dyes, as well as the handling of the vat dyes regarding which there was an exchange of correspondence between Mr. Phillips, Acting Secretary of State (his letter of September 29, 1919, Mr. Patterson's letter of October 2, and Mr. Phillips's without date but which was handed to the writer in Washington on October 10).

B. R. PRICE, Jr.,  
Acting Secretary.

OCTOBER 20, 1919.

SECRETARY OF STATE,  
Washington, D. C.

SIR: I have the honor to inclose herewith copy of memorandum dictated by Mr. Perret, representing the War Trade Board section, at a meeting to-day at the Manhattan Club.

The meeting included:

1. The representative of the War Trade Board section.
2. Mr. Henry B. Thompson, representing the War Trade Board advisory committee on dyestuffs.
3. Messrs. Manton B. Metcalf and Frank B. Cheney, representing the Textile Alliance (Inc.) committee on dyestuffs.
4. Messrs. A. M. Patterson, president, and B. R. Price, Jr., representing the Textile Alliance (Inc.).

In response to Mr. Perret's request as to the Textile Alliance's willingness to proceed I beg to submit that in a letter dated September 15, 1919, to Mr. Henry B. Thompson, chairman advisory committee on dyestuffs, War Trade Board section, it was stipulated: "The dyestuffs committee is to hold the Textile Alliance (Inc.) harmless against all losses or liabilities in connection with the undertaking." This provision was inserted in the letter in accordance with the instructions of the executive committee of the Textile Alliance (Inc.).

Mr. Thompson's letter in reply, September 9, said: "The members of committee would also expect to guarantee the Textile Alliance (Inc.) against any liability in connection with the undertaking."

At the meeting to-day it appeared that the guaranty proposed by the Textile Alliance (Inc.) was not such as met with the approval of the members of the advisory committee present, and the alliance is unable definitely to proceed with the matter until satisfactory indemnification shall have been arranged, for which Mr. Thompson is now in process of negotiation. As soon as this shall have been provided the Textile Alliance (Inc.) will be prepared to proceed with the plan mentioned by Mr. Perret in connection with all dyes and chemicals as well as vat dyes, as the authority received from the executive committee is not limited in this respect.

I have also to inform you that the representatives of the Grasselli Chemical Co. and the Chemical Foundation (Inc.) present at the meeting appear not to be in agreement with each other or with the War Trade Board section of the State Department in respect to royalties upon importations and as to the eligibility of certain classes of importers. Until this difference of opinion can be satisfactorily arranged, the Textile Alliance (Inc.) can not proceed and the difference would appear to affect equally all other importers.

The Textile Alliance (Inc.) has received certificates from persons desiring to import vat dyes to the amount of 30,000 pounds. It is our intention to hold these certificates for a few days in order that opportunity may be given to complete the necessary arrangements and upon Mr. Perret's statement that, if necessary, the time fixed for importation, namely, October 31, 1919, as stated in his letter of October 10, would be extended.

We think, however, we should return these certificates not later than Saturday, October 25, if no satisfactory settlement is reached.

It was my intention to leave town to-day, to be absent until next Monday, but in view of the circumstances which have arisen I am remaining here and am at the service of the department in case of necessity.

Respectfully,

TEXTILE ALLIANCE (INC.)

OCTOBER 24, 1919.

TO MR. FLEISCH, Paris:

For Fleisch, care Dr. Charles H. Herty, War Trade Board representative. Due to complications in connection with assessment of royalties claimed under patents held by the Chemical Foundation and Grasselli Chemical Co., also failure to date to compel entire importations through this organization, dyestuffs situation at standstill until Tuesday, when we shall be able to cable you outcome. If successful conclusion is reached by then will advise you as to financial arrangements and particulars as to each consumer's requirements, giving description of dye and Schultz publication, 1914 edition, reference number, specifying whether paste or powder form, as well as quantity. It is understood here that quantity for distribution by reparation committee represents only one-third of requirements and plan provided for distribution of this portion to consumers pro rata. Question of accepting Cartel's offer of remaining quantity will be settled Tuesday. Our contemplated arrangements with importers for handling these dyestuffs are identical with your suggestions. For your information, Holland-American Line quotes freight rate per 1,000 kilograms, Rotterdam to New York, 80 guilders on aniline and alizarine dry. On aniline and alizarine paste, 50 guilders. Above quotations subject to their handling exclusively entire movement. Red Star Line quote per 1,000 kilograms, from Antwerp to New York, aniline or alizarine dry fr. 94.50, aniline or alizarine paste fr. 84. Quotations based on present rate exchange. Account competition, probably more favorable freight rates available at your end. Insurance rates quoted in my cable 20th were marine rates. War risk rate prevailing, 7½ cents per \$100. Have you received our cable of the 20th, sent you care Coudert?

OCTOBER 25, 1919.

MR. A. M. PATTERSON,  
Care of Textile Alliance (Inc.), 45 East Seventeenth Street,  
New York City.

MY DEAR MR. PATTERSON: I am pleased to advise you that we were successful this morning in reaching an agreement with the Chemical Foundation (Inc.) and the Grasselli Chemical Co. the terms of which were perpetuated in a memorandum, copy of which I am inclosing for your confidential information.

You will note that the Chemical Foundation (Inc.) and the Grasselli Chemical Co. have given to the Department of State the assurances asked for in the department's letter of October 11. Those patent owners will, I understand, charge a substantial royalty for the same or use of the German dyes covered by their patents, but these royalties will be

made uniform to all consumers irrespective of whether they obtain their supplies through the Textile Alliance or through any other American channel of importation. I have requested the Grasselli Chemical Co. and the Chemical Foundation (Inc.) to advise the Textile Alliance immediately of the rate of royalty in order that the alliance might be in a position to give the necessary information to those consumers on behalf of whom the alliance will function.

The department has agreed to advise all American importers that if those importers desire to supply their customers with dyes from the official source that the department will interpose no objection to such importation by the importers provided that the importation is effected through the Textile Alliance on behalf of these importers but for the ultimate benefit of the consumers, the right being reserved to the importers to sell these dyes, after having purchased the same through the alliance, to their customers at any price.

*This statement to the importers will not be made until the alliance has issued its bulletin and opportunity shall have been given to allocation certificate holders to assign their certificates to the Textile Alliance.*

This statement to the importers will be thus postponed for the following reasons:

The Textile Alliance will give preference to all of the orders placed with it as the result of direct assignments of allocation certificates by consumers to the alliance and will import from the official sources on behalf of importers such quantities as will be available after those preferential orders have been filled. The alliance will therefore not be in a position to tell the importers of the amount which will be available for their customers until the alliance has received all the outstanding allocation certificates which are intended to be assigned directly to the alliance.

When the foregoing statement shall have been made to the importers, and if those importers decide to avail themselves of the Textile Alliance, we will be able to determine whether the cartel offer should be accepted. If the importers decide to import all of their dyes through the alliance, the alliance may then accept the cartel offer in toto. If the importers decide to import only a part of their customers' requirements through the Textile Alliance, it may be that the available quantity from the official source will be sufficient. If not, it will be necessary for us to ascertain whether the cartel offer may be accepted in part. To the extent to which the cartel offer may be accepted the Textile Alliance, in filling orders from that source, will treat all consumers alike, irrespective of whether the allocation certificates have been directly assigned to the Textile Alliance or to a private importer.

I am sending to-day under separate cover to Mr. Price the draft of the alliance bulletin, which has been slightly modified by us to an extent to which Mr. Price has agreed. I spoke to Mr. Price over the phone to-day and he told me that he would probably be in a position to issue this bulletin not later than Tuesday evening. I strongly recommend that this be done; that copies of the same be distributed in the most catholic manner; and that it be given due publicity in the press.

In view of the agreement which has been reached with the Chemical Foundation (Inc.) and with the Grasselli Chemical Co., I assume that you will have no misgivings on the matter of restraint of trade. Indeed, I understood from Mr. Price that on Mr. Condert's advice the alliance has decided not to seek to obtain from a private insurance company any indemnity against such risk. The Department of State is much pleased to be advised of your decision in this regard, inasmuch as the department would have been loathe to see its agent seek an indemnity against any possible liability incurred by that agent for having entered into a contract in restraint of trade while performing functions within the scope of the authority delegated to it by the Government.

In view of the foregoing, the success of the plan now appears certain; the opportunity for discrimination has been eradicated, dyes will be immediately available for consumers, and the rights of private importers have been preserved.

May I take this opportunity to apologize for my laches in not thanking you earlier for the very enjoyable luncheon?

Very cordially yours,

Acting Chief War Trade Board Section.

The Chemical Foundation (Inc.) and the Grasselli Chemical Co. agree to give to the Department of State the assurance asked for in the department's letter of October 11.

The department will make every effort consistent with its policy to bring about that the private importers shall utilize the machinery of the Textile Alliance for their imports, to the end that the entire importation may be brought about through one channel.

The department will instruct the Textile Alliance (Inc.) to fill the orders of those consumers who have assigned their allocation certificates directly to the Textile Alliance first, and the department will instruct the Textile Alliance that it may, after having filled those orders, import on behalf of private importers but for the ultimate benefit of allocation-certificate holders such quantities from the official sources as will be available from the official sources after the previous orders have been filled.

If it shall be deemed desirable to accept the cartel offer, the department will instruct the Textile Alliance (Inc.) to treat all consumers alike in filling orders from that source, irrespective of whether the allocation certificates have been directly assigned to the Textile Alliance or to private importers.

OCTOBER 16, 1919.

MR. ST. JOHN PERRET,

Acting Chief War Trade Board Section,

Washington, D. C.

DEAR SIR: This will acknowledge receipt of yours of the 13th inclosing further list of German dye firms located in unoccupied Germany, which you have just received from Doctor Herty.

It would appear to be of the utmost importance to have the question of the rate of exchange settled at least before Monday, when our advisory committee will meet at the Manhattan Club. I hope that you will succeed in getting something definite from Doctor Herty in this connection.

Could you also cable Doctor Herty and inquire of him as to whether the sources through which they are to be procured guarantee them as to quality, strength, or shade, or that they conform in every particular to the Schultz type? Undoubtedly some arrangement has been made by the other allied Governments for securing a guaranty of this character in connection with the dyes that they are securing, and we feel that the sellers should be pressed for a similar guaranty in connection with the dyes that are coming here. I understand from the trade that

there are always differences of this character coming up, and we feel that it would be rather a revolutionary practice to ignore this feature entirely. I feel that it will come up at our meeting on Monday; and if so, would appreciate your handling by cable with Doctor Herty with view of seeing what can be done in this connection.

We have not as yet received from you the complete particulars of the allocation certificates thus far granted in connection with vat dyes, nor have we received the contract form which you suggest we use in connection with same. I am specially anxious to get both of these, as there is considerable preliminary work to be done before we can go ahead should the scheme go through. Will you endeavor to get both of them to me by Saturday morning at the latest?

I noticed the attached clipping from the Daily News Record in connection with the importation of dyes other than vat dyes. If it should be contemplated that this organization handle this character of dye, could it possibly be arranged whereby the issuance of the vat dye allocation certificates would be withheld until such time as we were able to place in the hands of each individual consumer the bulletin as well as the other form? This is a suggestion that would possibly avoid the confusion that existed in connection with the vat dye allocation certificates.

I certainly hope you can arrange to stay over for the meeting Monday, as everyone will be present at that time and we can clean up the whole situation.

Yours very truly,

TEXTILE ALLIANCE (INC.).

[Bulletin No. 35.]

TEXTILE ALLIANCE (INC.),  
45 EAST SEVENTEENTH STREET,  
New York, October 28, 1919.

#### 1. COMMODITY SUBJECT TO THIS BULLETIN.

The information contained in this bulletin pertains to the purchase, importation, and distribution of vat dyes from Germany to consumers at prices agreed upon by the Interallied authorities at Paris.

#### 2. WAR TRADE BOARD AUTHORIZATION AND INSTRUCTIONS.

On October 1, 1919, the War Trade Board section of the Department of State began to issue to consumers of dyes in the United States allocation certificates for the purpose of enabling those consumers to import from Germany such quantities of vat dyes as would be necessary to satisfy their requirements for the six months' period October 15, 1919, to April 15, 1920.

As the result of certain recent negotiations between the representatives of the allied and associated Governments and the German Government, a substantial portion of the amount of such dyes as may be needed to satisfy the six months' requirements of consumers has been made available to consumers in this country.

The War Trade Board section of the Department of State has designated the Textile Alliance (Inc.) as the sole official agency to import on behalf of consumers such portion of the total allocation of dyes as has been made available as the result of those negotiations.

Accordingly, the Textile Alliance (Inc.) will perform the following services in connection with the importation of vat dyes from the official sources referred to above.

(a) To accept from the consumer vat dye certificates issued by the War Trade Board for vat dyes in amounts not exceeding the amounts specified in such certificates.

(b) To file all applications for licenses for vat dyes secured through this source and covered by such allocation certificates as have been indorsed to the Textile Alliance (Inc.).

(c) To attend to all the details connected with the acquisition of and terms of payment for the above-mentioned vat dyes and their shipment to the Textile Alliance (Inc.) and to arrange for distribution to the respective consumers who have ordered them through this source.

#### 3. PROCEDURE.

(a) The consumer indorses and delivers allocation certificates to the Textile Alliance (Inc.), at the same time executing and forwarding the order (Form No. D-1) stating the amount of dyes (not exceeding, however, the amount allocated to him) which he desires to purchase under this arrangement.

(b) On receipt of the above an application for an import license will be filed by the Textile Alliance (Inc.) with the War Trade Board.

(c) At the same time a pro forma invoice will be rendered to the consumer, same to be based on figures available at that time representing approximately the cost (including all charges incidental to complete delivery on a c. i. f. New York basis) of the dyes so ordered. A check (New York funds) in favor of the Textile Alliance (Inc.) for the amount of the pro forma invoice must be sent to this office immediately. On receipt of same the order will be cabled to the representative of the Textile Alliance (Inc.), in Paris, who will proceed with the purchase.

(d) In the event that it should prove impossible to secure the entire amount of the various dyes applied for, it is understood that the Textile Alliance (Inc.) shall be entitled to procure for and deliver to each certificate holder his pro rata share of the total amount obtainable.

(e) On arrival of the merchandise invoice will be rendered showing the charges so far as then ascertained and settlement must be made at that time, subject to correction.

#### 4. TEXTILE ALLIANCE (INC.) CHARGES.

The purchase, importation, and distribution of all vat dyes acquired under the above-mentioned plan will be effected at cost and without profit to the Textile Alliance (Inc.). To meet the estimated expenses of this organization in conducting this work a charge of 15 per cent will be made upon the amount of each purchase, computed upon the delivered cost including duty. Any unexpended balance of the funds remitted for the expenses of the Textile Alliance (Inc.) will be returned pro rata.

#### 5. LIABILITY.

All purchasers ordering vat dyes under this plan must indemnify and agree to hold harmless the Textile Alliance (Inc.) and its officers, agents, and employees from any and all claims or liabilities arising in connection with any importations, sales, or deliveries of the vat dyes covered by this bulletin.

Importations after arrival will be at owners' risk and expense.

#### ORGANIZATION.

The Textile Alliance (Inc.) was organized February 24, 1914, as a membership corporation under the laws of the State of New York. It has no capital stock and is legally incapable of either making or retaining a profit.



The affairs of the alliance are under the general supervision of an executive committee, consisting of the following:

Mr. H. D. Cooper, Mr. Arthur E. Gill, and Mr. A. M. Patterson.

All matters relating to dyes and chemicals have been referred with power to a committee consisting of the following:

Mr. Frank D. Cheney, Mr. Franklin W. Hobbs, Mr. August Merz, Mr. M. R. Poucher, Mr. H. B. Thompson, Mr. W. H. Watkins, and Dr. Charles H. Herty, with the following as a subcommittee: Mr. Frank B. Cheney, Mr. A. C. Imbrie, and Mr. Manton B. Metcalf.

CONTRACT AND ORDER FROM TEXTILE ALLIANCE (INC.).  
(Order No. —.)

TO TEXTILE ALLIANCE (INC.).

45 East Seventeenth Street, New York.

GENTLEMEN: We inclose herewith vat-dye certificates issued on our behalf by the War Trade Board Section of the Department of State, and in accordance with their instructions of October 10, 1919, we herewith place order with you for the following quantity of vat dyes covered by the inclosed certificates:

Vat-dye certificate No.	Date of issuance.	Designation of dye.	Schultz number. <sup>1</sup>	Pounds desired.	Name and address of producer abroad.

<sup>1</sup> If number is not found in Schultz's Dye Table, 1914 edition, classify if possible under proper group as given by Schultz.

This order is subject to the following terms and conditions:

(a) This order is subject to acceptance and confirmation by the Textile Alliance (Inc.).

(b) Dyestuffs covered therein sold on a c. i. f. New York basis, the Textile Alliance (Inc.) to complete customs formalities.

(c) The undersigned acknowledges receipt of Bulletin No. 35 of the Textile Alliance (Inc.) and agrees to conform to the requirements, regulations, and provisions set forth therein and any changes, amendments, and reissues which may be made therein or thereof hereafter.

(d) Further, the undersigned will indemnify and hold harmless the Textile Alliance (Inc.), and/or its officers, agents, and employees individually and/or collectively from and against any and all claims or liability arising or which may arise in connection with any importations, sales, or deliveries of the vat dyes hereinbefore mentioned.

(Name of corporation, firm, or individual.)

(Name of officer authorized to act for applicant.)

(Address.)

Witness: \_\_\_\_\_

Date: \_\_\_\_\_

(Order No. —.)

To \_\_\_\_\_

DEAR SIR: We beg to confirm the acceptance of this order.

Yours truly,

TEXTILE ALLIANCE (INC.).

Per \_\_\_\_\_

Date: \_\_\_\_\_

MINUTES OF THE MEETING OF THE ADVISORY COMMITTEE ON DYES OF THE WAR TRADE BOARD HELD AT THE MERCHANTS' CLUB ON OCTOBER 27, 1919, AT 1 P. M.

Present: Mr. H. B. Thompson, chairman; Mr. Frank D. Cheney, Mr. W. H. Watkins, Mr. August Merz, Mr. Franklin W. Hobbs, Mr. M. R. Poucher (Mr. E. V. Patterson alternating), Mr. A. M. Patterson, Mr. A. C. Imbrie, Mr. Joseph H. Choate, Jr.

A communication, dated October 25, 1919, from the State Department to Mr. A. M. Patterson was read and explained by Mr. Choate. A letter to be written by the chairman was drafted and approved, as follows:

OCTOBER 27, 1919.

Mr. ST. JOHN PERRET,  
Acting Chief War Trade Board Section,  
State Department, Washington, D. C.

DEAR SIR: The Advisory Committee on Dyes of the War Trade Board section of the State Department at a meeting to-day discussed informally the proposed import of dyes other than vat dyes from Germany. The committee was unanimous in reaching several conclusions, which they asked me to state to you, as follows:

1. The proposed importation, unless limited to dyes really necessary, will endanger the American dye industry to an alarming extent, since the dyes which are desired are not, like the vat dyes, of a class with which no American product competes, but are in many cases in direct competition with domestic goods. Many dyes not made here do precisely the work of other dyes which are made here.

2. Unless the policy of the department is determined with a full and expert knowledge of the real needs of the dye-consuming industries, and the execution of that policy in the actual decision on applications for license is handled by a body similarly informed, the gravest damage may be done.

3. Therefore the department's policy ought not to be formulated without the approval of somebody having such expert knowledge, nor should any licenses be issued without like approval.

4. The present committee was intended to furnish such knowledge; and if it is now deemed lacking therein, can be expanded to meet the department's requirements.

5. In view of the dangers of the proposed imports and of the probability of protective legislation the department's actions should not under any consideration be hurried. The task should be undertaken with all possible deliberation.

6. Conforming to the methods that have obtained during the past five months we suggest that Doctor Penniman or any other representative of your board acting in collaboration with our committee shall make all decisions as to the importation of these dyes.

Yours faithfully,

H. B. THOMPSON,

Chairman Advisory Committee on Dyes, War Trade Board Section.

Mr. W. R. Morehouse, of the National Aniline & Chemical Co., and Mr. E. S. Lunt, of E. I. du Pont de Nemours & Co. (Inc.), were then appointed to act as technical experts to the Textile Alliance (Inc.), and it was suggested that they arrange an appointment with Mr. Price on Wednesday morning, October 29.

A letter from the State Department to Textile Alliance, dated October 26, was read. Mr. Patterson said that counsel had intimated that such a letter, coupled with releases from importers doing business with Textile Alliance, would be sufficient protection against suits. Letter from Coudert Bros. of October 28, in confirmation as follows, was read and ordered into the record:

OCTOBER 28, 1919.

Mr. A. M. PATTERSON,

President Textile Alliance (Inc.).

45 East Seventeenth Street, New York.

MY DEAR MR. PATTERSON: Referring to our conversation of yesterday and your request for an opinion upon the question whether the undertaking by the alliance to act as requested by the State Department in handling the importation of dyes obtained through the Reparation Commission would possibly be obnoxious to the antitrust laws, we would say:

The alliance, in undertaking the work which the State Department has requested of it, would be in fact acting as the agent of such department and really in a public or quasi public manner itself, and, moreover, the State Department so construes the relationship created by the acceptance of the alliance, for in its letter of October 25 it speaks of the alliance in this connection as "its agent."

Under these circumstances we advise you that the antitrust laws have no application, as they do not embrace within their scope governmental action undertaken for public ends by duly constituted departments or organs of the Federal Government.

Regarding any legal liabilities which might arise in carrying on the work of importation and distribution of German dyestuffs, we would say that the alliance must obtain from each consumer for whom the dyes are procured and to whom they are delivered a contract completely releasing the alliance from all liability on the part of the alliance or its officers, acting within the scope of their authority, that could arise, and under these circumstances we advise you that there is no legal obstacle in the way of your undertaking this work for the State Department. Moreover, it is a work of great public importance, and you are to be congratulated in having so useful a rôle assigned to you by the Government.

Believe me, my dear Mr. Patterson, with assurance of sincere regards,

Faithfully yours,

FREDERIC R. COUDERT.

The alliance was therefore ready to proceed with the proposed arrangement as to dyes covered by its letter of September 15 to Mr. H. B. Thompson and letter of October 2 to the State Department, and the State Department's letter of September 29 and October 10.

Mr. Patterson stated that he would appoint, subject to the approval of the executive committee of the Textile Alliance, the members of the advisory committee on dyes for the War Trade Board as a dye committee for the Textile Alliance, with power, retaining as a subcommittee in the capacity for which they were originally appointed Mr. F. D. Cheney, of Cheney Bros.; Mr. A. C. Imbrie, of United States Finishing Co.; and Mr. Manton B. Metcalf, of Metcalf Bros. & Co. The committee approved and accepted the offer.

Mr. Price was requested to obtain from the customs a ruling as to rate of exchange on marks used as a basis for assessment of duties.

The proposed Textile Alliance (Inc.) Bulletin No. 35 was approved, with the following changes:

Paragraph 4, second sentence, reading: "To meet the actual expense of this organization," etc., and corrected to read: "The estimated expenses of this organization," etc.

And changing the rate to be assessed for alliance charges (see par. 4 of Bulletin 35) from 5 per cent to 15 per cent, to be computed upon the delivered cost, including duty.

B. R. PRICE, JR.,

Acting Secretary.

RÉSUMÉ OF MINUTES OF MEETING OF THE ADVISORY COMMITTEE OF THE TEXTILE ALLIANCE (INC.), HELD AT THE MERCHANTS CLUB, 1 P. M., OCTOBER 28, 1919.

Present: Messrs. Henry B. Thompson, Frank D. Cheney, Manton B. Metcalf, Andrew C. Imbrie, A. M. Patterson, and B. R. Price, Jr. (acting secretary).

In view of the recent individual indemnifications from purchasers and the appointment of the alliance as an agent for the War Trade Board section of the State Department in connection with these dyestuffs matters on advice of counsel, it would appear that no further indemnification or agreement by either the department or the Advisory Commission on Dyestuffs to the War Trade Board is necessary.

Acceptance of Bulletin 35 and contract order, Form D I.

The basis of our charges established at 15 per cent of each purchase, computed on delivery cost, including duty.

Resolution to the effect that dyestuffs account shall take over the organization of the Textile Alliance (Inc.) from October 1, 1919, until the conclusion of this arrangement, and its operating expenses to be paid out of this fund, realizing income from investment to be applied as the executive committee may direct.

Advancement of \$25,000 out of regular funds of the Textile Alliance (Inc.) for establishment as of November 1 of a special dyestuffs account, against which all operating charges shall be directly deductible. Interest rate on this loan, 6 per cent, to be repaid as directed by dyestuffs committee.

Authorization Chemical National Bank, New York, as official depository.

Accounts appointed: Barrow, Wade & Guthrie Co.

Approval of Mr. Fleisch's trip abroad.

Approval of Mr. W. R. Morehouse, of the National Aniline & Chemical Co., and Mr. E. S. Lunt, of E. I. du Pont de Nemours & Co. (Inc.), to act as technical experts to the Textile Alliance (Inc.) in New York; Mr. W. H. Cady, of the United States Finishing Co., as alternate.

Memorandum of matters discussed and agreed upon between Capt. Reginald Norris, of the committee on organization of the Reparation Commission, and Mr. E. A. Fleisch, of the Textile Alliance (Inc.), of New York and Paris, November 4, 1919, on the subject of German dyes.

#### (1) REPARATION DYES.

(a) Where reference is made in these notes to reparation dyes it is understood to mean those dyes that are available to the United States from reparation stocks as per inventories of August 15, 1919, rendered by the Germans and certified by them to be complete and correct.

(b) The dyes have thus far been only partially apportioned between the countries entitled to receive them. Of this partial apportionment the United States' share is 1,500 tons, all or any part of which the United States is free to accept at any time without being committed in any way to take any portion not wanted.

NOTE 1: The total stocks of dyes in German factories on August 15, 1919, is roughly estimated at 40,000 tons, of which one-half, say 20,000 tons, will be available to the allied and associated powers. Of these 20,000 tons only 5,200 tons have thus far been apportioned, as follows:

	Tons.
United States	1,500
Great Britain	1,500
France	1,000
Italy	700
Belgium	500
Total	5,200

The above apportionment merely indicates aggregate metric tons and does not represent the apportionment of each individual dye that each country is to receive.

The proportion of each dye that each country is to receive out of the quantity available to the allied and associated powers has thus far been fixed as follows:

	Per cent.
United States	22.44
Great Britain	20.44
France	15
Italy	10
Belgium	5
Total	70.88

This leaves 29.12 per cent to be divided among the allied and associated powers when peace comes into force. How this 29.12 per cent may be divided can not now be stated.

When peace comes into force there will remain, say, 14,800 tons to be apportioned between the allied and associated powers, being the difference between 5,200 tons already apportioned and the total of, say, 20,000 tons. Whether or not the United States will accept an apportionment either of the 29.12 per cent or of the 14,800 tons is not yet ascertainable.

#### NONREPARATION DYES.

(c) Where reference is made in these notes to nonreparation dyes it is understood to mean dyes upon which the United States Government has no claim and which may be secured only by direct treaty between intending purchasers and the German manufacturers under an option given on October 4, 1919, to Dr. Charles H. Herty by Dr. C. von Weinberg, head of the German cartel. The option was good "until further notice, at least four weeks." No notice has been received, but in anticipation thereof Doctor Herty asked the Germans for an extension of the option, which has not yet been received.

NOTE 2: The question as to whether the option of October 4, 1919, on nonreparation dyes is accepted, rejected, extended, or altered does not involve the United States authorities nor does it involve the question as to whether or not the Textile Alliance will be the medium of importation into the United States for any or all of these dyes. If the option is lost and importation of nonreparation dyes is permitted through the Textile Alliance and also direct by importers and consumers, it would seem that the Textile Alliance will have to negotiate with the Germans direct for prices on what they will order.

#### (2) COMMITTEE OF ORGANIZATION OF THE REPARATION COMMISSION'S POSITION.

(a) Col. J. A. Logan, Jr., Paris, will notify the German authorities that the United States Government has designated the Textile Alliance (Inc.), of New York, as its "accredited representative" with full authority in all matters (with the exception of withdrawal licenses) pertaining to dyes to be supplied to the United States from reparation stocks and will request that the German authorities direct the several German dye manufacturers to honor instructions they may receive either direct or through Dr. C. von Weinberg, head of the German cartel, from the Textile Alliance (Inc.).

#### (3) WAR TRADE BOARD'S POSITION.

##### REPARATION DYES.

(a) The War Trade Board gives allocation certificates to consumers only.

##### NONREPARATION DYES.

(b) It is not clear whether the Textile Alliance will have any participation in the nonreparation dyes. It is possible, however, that allocation certificates will be issued by the War Trade Board under the Textile Alliance arrangement to such consumers as may desire to obtain their nonreparation dyes through the alliance.

(c) It now appears certain that both the consumers and importers may obtain nonreparation dyes independently of the Textile Alliance if they so desire.

#### (4) TEXTILE ALLIANCE (INC.) POSITION.

##### REPARATION DYES.

(a) The Textile Alliance (Inc.) has exclusive access to the reparation dyes and apparently deals with consumers only and not with importers.

(b) The consumers assign their allocation certificates to the Textile Alliance.

(c) The consumers place their orders in contract form with the Textile Alliance.

(d) The Textile Alliance secures import licenses in its own name.

(e) The Textile Alliance sends the orders to its Paris representative, who proceeds as indicated in section (5).

##### NONREPARATION DYES.

(a) Mr. A. M. Patterson, the president of the Textile Alliance, states in a cable received in Paris October 31, 1919: "Importers have access to dyes from manufacturers through regular commercial channels" and

"acceptance cartel's offer hinges on developments next 10 days." From this it appears:

(i) That consumers may be given the option of obtaining nonreparation dyes either through the Textile Alliance or not as they may prefer.

(ii) That if such orders are placed through the Textile Alliance the process will be the same as in the case of reparation dyes, except that no documents will be sent to the United States authorities for nonreparation dyes.

#### (5) ORDERS—PROCESS REGARDING.

##### FOR REPARATION DYES.

(a) Consumers in the United States will place orders with the Textile Alliance, New York, not exceeding the amounts covered by each consumer's allocation certificate.

(b) The Textile Alliance, New York, will send orders in duplicate by separate mails to their representative in Paris.

(c) The Textile Alliance Paris representative will send the original of each order to Dr. C. von Weinberg, head of the German cartel, who will distribute the orders among the several German manufacturers.

(d) Whenever the amount of any one dye due the United States from reparation stock is insufficient to fill all orders placed by consumers through the Textile Alliance for such dye, each order is to be reduced pro rata.

##### FOR NONREPARATION DYES.

(a) In case consumers are given the option of obtaining nonreparation dyes through the Textile Alliance the procedure will be the same as for reparation dyes except:

(i) Withdrawal licenses may be unnecessary.

(ii) No documents will be sent the United States authorities.

(iii) Payment will be arranged between the Textile Alliance and the German manufacturers.

##### NOTES.

(1) It appears orders are now being made out in the United States for reparation vat dyes, and that orders for reparation nonvat dyes will be made out shortly.

(2) The Textile Alliance, New York, is expected to inform its Paris representative shortly the particulars as to consumers' requirements, giving description of dye and "Schultz" publication, 1914 edition reference, stating whether paste or powder form as well as quantity.

#### (6) PACKING.

##### FOR BOTH REPARATION AND NONREPARATION DYES.

(a) Each individual order covered by a different number must be separately packed.

#### (7) SHIPPING DIRECTIONS.

(a) These will be made out in Paris on forms which Mr. Fleisch will prepare.

(b) A copy of the form filled out will accompany each individual order. The filling out of these forms may be done by whoever is entrusted with the work upon Mr. Fleisch's departure.

(c) There will be one form of directions for reparation dyes, and another form for nonreparation dyes, but the two will be alike except in a few particulars.

#### (8) DOCUMENTS.

(a) Shipping directions accompanying each order will state the kind and number of documents to be furnished and to whom.

(b) The manufacturers are to supply separate documents for each individual order bearing a different number.

(c) The documents are to be dispatched as soon as possible after shipments are made.

(d) Every copy of every invoice and packing list must show the number of the individual order which will in each case be designated as T. A. I. Order No. —.

(e) The following documents are to be supplied for each order:

(i) For reparation dyes: Invoices, 3 certified copies and 2 plain copies; packing lists, 5 copies; bills of lading from factory to seaport, 1 original and 2 certified copies; consular invoices, 1 original and 1 duplicate.

(ii) For nonreparation dyes: Plain invoices, 3; packing lists, 3; bill of lading to seaport, 1 original and 1 plain copy; consular invoices, 1 original and 1 duplicate.

(f) All of the above-named documents, both for reparation and nonreparation dyes, are to be sent by the manufacturers to the Textile Alliance (Inc.) at their Paris address, which will be given the manufacturers, except that in case of reparation dyes the manufacturers are to furnish the United States officer in control of withdrawals the two certified copies of each bill of lading. The shipments are not to pass the control officer until these two certified copies of each bill of lading are furnished him. These bills of lading must show the shipments to be consigned to the steamship company at a seaport "for reshipment" to the Textile Alliance (Inc.), New York, for illustration:

Consigned to the Holland-American Steamship Co., Rotterdam, Holland, for reshipment to the Textile Alliance (Inc.), New York. Destined for John Jones.

##### NOTES.

(1) The control officer is to retain one of these certified bills of lading and send the other to the Textile Alliance, Paris office, numbered consecutively.

(2) It is assumed that the United States visé of the consular invoices may be obtained in Germany, probably from the Spanish consulates. Captain Norris has telegraphed Mr. Noyes at Coblenz for this information.

#### (9) LICENSES FOR THE WITHDRAWAL OF DYES FROM GERMAN FACTORIES.

(a) The Inter-Allied Rhineland Commission will at once issue a license for the 1,500 tons of dyes that are available to the United States from reparation stocks. This license will be available only to the Textile Alliance (Inc.) as the "accredited governmental representative."

##### NOTES.

(1) This license will be honored upon the withdrawal of shipments of reparation dyes up to the total of 1,500 tons, even though the system of issuing withdrawal licenses may be discontinued when the peace treaty comes into force.

(2) It is understood that when peace comes into force a new system of control is to be established to prevent the Germans from removing the dyes from the present occupied territory in violation of agreements.

#### (10) INSURANCE.

(a) On all shipments through the Textile Alliance, whether reparation or nonreparation dyes, the insurance will be covered by the Textile Alliance from the German factory through to final destination.



## (11) PRICES AND PAYMENT.

(a) For reparation dyes it is understood prices are to be as per inventories of August 15, 1919, at factories in full packages with additional charges for smaller packages.

(b) For nonreparation dyes the prices at factories in United States dollars for full packages are as per option given by Dr. C. von Weinberg to Dr. Chas. H. Herty, October 4, 1919, assuming that the Germans do not give notice of change or that the option will be extended.

(c) The Textile Alliance, New York, will in all cases collect the approximate c. i. f. amount of each order from the party who places it with them at the time it is placed.

(d) The funds will be deposited with the Chemical National Bank of New York.

(e) For nonreparation dyes the matter of payment must be arranged direct with the Germans by the Textile Alliance or whoever else may place the orders, as the United States Government is not concerned therewith.

(f) For reparation dyes the following is agreed:

(i) On the 1st and 15th of each month the Paris representative of the Textile Alliance will furnish the C. O. R. C., Paris, in duplicate a summary of invoices received during the preceding two weeks with an acknowledgment that the documents evidencing shipment have been received. To these summaries will be attached certified copies of the invoices.

(ii) The C. O. R. C. will transmit to the German delegate a copy of the summary with a note that the reparation account has been credited.

(iii) As no payment is to be made Germany for reparation dyes, it is desired that the Textile Alliance defer payment until the dyes have reached destination and proven satisfactory, and that some time thereafter the United States authorities will indicate to the Textile Alliance of New York when, how, and to whom payment is to be made. Captain Norris has kindly agreed to have the question raised with the proper United States authorities to ascertain whether such payment will be satisfactory to them.

COBLENZ, November 6, 1919.

AMMISSION, Paris:

Reference your wire November 3 and 4, time 4.10 p. m. Spanish Consul Dusseldorf supplied with American consular invoices and is at present consulting for American shipments.

NOYES.

SEPTEMBER 27, 1919—4 P. M.

AMMISSION, Paris:

Your (4270) September 19, 1 p. m.

1. The department concurs in your opinion that the resolution adopted on September 18 by the London committee is in substance an attempt to avail of the provisions of annex 6 to that treaty. The department is, however, willing to approve the plan in view of the wishes of the other delegates and of the advantages of the lower prices, although we are advised that so far as the prospective shipment of vat dyes is concerned the question of price is not as vital to our consumers as it appears to be to the French.

2. The outstanding feature of our situation is the pressing need for immediate supplies of vat dyes. Although it is desirable to secure these dyes otherwise than through the old German agencies, this consideration as well as the question of price is subordinate to the need of prompt delivery.

3. As stated in department 3062, September 8, 8 p. m., we are now withholding import license awaiting the outcome of the current negotiations in Paris, and your recent cablegrams create the impression that these negotiations may not result in a satisfactory and practicable plan for some time to come. One month has already elapsed since we announced to the consumers our decision to permit the early importation of a six months' supply of vat dyes, and you state in your 4270 that it is the universal opinion that the Germans will not consent to the plan of the committee and that then the only remaining solution will be to anticipate the treaty option. On this point the department is now entirely willing to agree in principle to such anticipation. On the other hand, however, as stated above, time is of the very essence and we are beginning to doubt whether arrangements to secure our six months' supply of vat dyes through such anticipation could become operative soon enough to fulfill our pledges to the consumers. We are much embarrassed at present and can not defer much longer the issuance of import licenses.

4. In view of the foregoing it is of the utmost importance that we be advised immediately when it will be possible to actually secure the delivery of dyes under a plan to anticipate the treaty provisions; we should have advices which will warrant our informing the consumers. If this will not be possible in the very near future we will be compelled to adopt the second alternative mentioned in your 4270. In this connection the following are certain practical considerations which should be taken into account:

(A) The consumers in this country have applied for and we have allowed allocations aggregating 977,019 pounds of vat dyes for consumption during the six months' period beginning October 1.

(B) Under the plan to anticipate the treaty it will be necessary to designate some single agency to act as an intermediary between the consumers and the sellers. The department is prepared to designate the Textile Alliance as such agency to accept orders from the consumers in this country and to place these with or through the Reparation Commission under such plans as may be devised. It will be necessary for the Textile Alliance to send a representative to Paris to handle the details connected with the purchase of and payment for the dyes and their shipment to this country.

(C) As stated in department's 3061m, September 8, 8 p. m., we do not see upon what ground we can deny consumers the right to import through the old German agencies. At best we can only make it optional with the consumers whether they will avail themselves of an anticipation of the treaty provisions. The only possible ground in denying the right to import through the old German agencies would be that purely from the point of view of reparation. It is desirable for all American dye requirements to come through the Reparation Commission, so that the value thereof may be credited to the reparation account. It is therefore urged that you send your views on this point.

(D) We have not yet decided to permit the importation of any dyes other than a six months' supply of vat dyes. If the provisions of the treaty are anticipated to the extent of securing for us these particular dyes, will that be regarded as only a partial exercise of the option, leaving it open to us to secure such additional amounts of the other dyes as we may decide are needed by our consumers? Or will the Germans insist that the option be regarded as completely exercised to meet the pressing demands of the American consumers? We are considering the immediate issuance of allocation certificates which will

entitle importers or their nominees to secure import licenses from us. At the same time we wish to announce the possibility or probability of being able to secure these dyes at treaty prices, and the consumers could either proceed immediately to order dyes through old agencies or arrange to purchase under the contemplated plan to anticipate the treaty. Please consult Herty and wire us immediately your views on this proposal. (3262.)

PHILLIPS, Acting.

(3279) SEPTEMBER 29—4 p. m.

AMMISSION, Paris.

For Herty from War Trade Board. The following is a complete list to date of the aggregate amounts of the vat dyes which our consumers wish to import, and whose importation we have decided to permit under one of the two alternative plans referred to in Mission's 4270, September 19, 1 p. m. The figures preceded by the letter "S" denote the Schultz number of the dye, and the figures which follow denote the quantities in pounds: S. 748, 117,950; S. 759, 1,400; S. 760, 12,900; S. 761, 36,370; S. 762, 75; S. 763, 5,920; S. 765, 24,150; S. 765A, 400; S. 766, 870; S. 767, 39,075; S. 768A, 47,450; S. 791, 10; S. 795, 100; S. 810, 3,400; S. 810A, 100; S. 811A, 200; S. 812, 95; S. 813, 50; S. 814, 100; S. 815, 575; S. 816, 1,100; S. 817, 2,050; S. 818, 1,150; S. 819, 7,975; S. 820, 11,325; S. 821, 1,320; S. 822, 1,000; S. 824, 400; S. 825, 5,200; S. 827, 2,500; S. 828, 570; S. 829, 50; S. 830, 1,000; S. 831, 7,895; S. 832, 10,100; S. 833, 550; S. 834, 750; S. 836, 800; S. 838, 8,500; S. 839, 275; S. 840, 550; S. 841, 3,000; S. 842, 355,450; S. 843, 400; S. 844, 2,850; S. 845, 50; S. 847, 2,200; S. 848, 625; S. 849, 72,784; S. 850, 1,500; S. 867, 2,310; S. 869, 150; S. 869A, 2,300; S. 870, 600; S. 873, 100; S. 873B, 9,500; S. 873D, 670; S. 880, 100; S. 881, 7,200; S. 882, 30; S. 883, 3,075; S. 885, 4,000; S. 887, 1,500; S. 891, 100; S. 892, 1,520; S. 893, 3,500; S. 895, 4,200; S. 896, 350; S. 896A, 800; S. 901, 100; S. 902, 2,200; S. 904, 6,990; S. 904A, 500; S. 907, 4,250; S. 910, 54,760; S. 912, 2,000; S. 913, 2,495; S. 913A, 2,000; S. 914, 275; S. 915, 3,800; S. 916, 1,625; S. 917, 1,855; S. 918, 13,270; S. 919, 50; S. 920, 18,905; S. 921, 500.

Please advise us at once whether the lists of stocks which have been submitted indicate that we will be able to secure the foregoing amounts of the various dyes specified.

We wish to take this occasion again to impress upon you that prompt delivery is so vital a factor in our domestic situation that we should be informed at the earliest possible date what prospects there are for securing an early delivery of the official dyes through plan mentioned in paragraph 4 of 4388, on anticipation of treaty provisions. (3279.)

PHILLIPS, Acting.

(4474) OCTOBER 1—11 P. M.

SECSTATE, Washington.

(Department's (3262), September 27, 4 p. m.)

One. On September 25 a letter was addressed to the German representative at Versailles by the interim Reparation Committee, stating that the committee had decided (a) to take immediate delivery of 2,200 tons of dyes for France, Italy, and Belgium; (b) that this amount might be increased to 5,200 tons to provide for the reservation of 1,500 tons each for the United States and Great Britain; (c) that the prices should not exceed those of German lists of August 15; (d) that this decision shall not prejudice in any way the ultimate decisions of the Reparation Commission as to the option it holds under the treaty terms upon half of the dye stocks in Germany. On the contrary, this decision is entirely independent of the treaty rights given to the Reparation Commission, which rights are not affected in any manner by this arrangement; (e) that the tender of the lists of August 15, 1919, is not to be considered a beginning of the execution of annex 6 of part 8 of the treaty. The letter explains, however, (f) that such immediate deliveries would be a charge against the amounts to be delivered in accordance with the option in case the option should be later accepted; (g) that Germany was to be allowed under the arrangement to dispose freely of an amount of each dye equaling that delivered under the present decision.

Two. The arrangements proposed by this letter will be considered at an interallied meeting on October 1, and meeting with the German representatives at Versailles has been called for October 2. In view of the department's assent to anticipating the option, which will not, however, be made use of unless found necessary, it is now believed that a satisfactory result may be attained.

Three. The need for prompt deliveries is fully understood, and this will be insisted on as an essential factor in all discussions with the Germans.

Four. As only approximately 500 tons of vat dyes are required, the 1,000 tons remaining of total American reservation could be used for supplying such needs of American consumers as were developed by your questionnaire to consumers in general last summer.

Five. While a representative of the Textile Alliance would be welcomed and given every facility Ammission is of opinion that Herty is entirely competent to handle situation. In any case, it seems unnecessary to delay until arrival of Textile Alliance representative before arranging for vat dye shipments, as copies of all German lists of August 15 were forwarded you on September 22 giving prices, quantities, factory designations, concentrations, etc.

Six. It is strongly urged that no license shall be issued except for dyes secured through interallied action, the proceeds of which transactions will go into reparation fund. According to understanding of Ammission the granting of licenses for dyes is exceptional and is waived by the President of the prohibition established under the powers conferred on him by the trading with the enemy act. The peace treaty provides for a specific method of securing the requirements of the allied and associated powers for dyes, and unquestionably contemplates that so far as possible the reparation fund shall have the benefit of these transactions. If licenses are granted for purchase through American agents of German manufacturers, the reparation fund will be deprived proportionally of the intended benefit. Such action would undoubtedly create unfortunate impression on our allies, especially as stocks at German plants are ready for delivery, prices are low, and the meeting with the Germans is nearly at hand.

Seven. Referring Ammission's 4270, September 19, 1 p. m., last paragraph but two, Noyes states that he has personally ascertained that not 1 pound of dyestuffs can leave the Bayer plant without permission of the Rhineland Commission. This plant is covered by 3 officers and 50 soldiers in charge; states that leaks are impossible. Noyes further states that he is informed that in the Bayer plant 700 tons of dyestuffs are on hand in excess of the quantity existing on January 15. He will report later after personal investigation on other plants. 4474.

POLK, Ammission.

OCTOBER 6, 1919.

SECSTATE, Washington.

(C. H. Herty. For Garvan from Herty):

At meeting with Germans, October 4, Allies accepted German lists of August 15, both as to stocks and prices in marks at current exchange rates on day of delivery at factory. Stock and process guaranteed by German Government. For each kilo of dye taken by Allies from stocks on the lists a kilo of same dye is released to Germans for free sale.

Under interallied London agreement of September 15, made in advance of my reaching London, we are entitled in present distribution to 10.225 per cent of total stocks of each item on lists of August 15, up to 1,500 tons. Allied lists are to be filed with committee on organization this week. However, we reserved the right to file a supplementary list somewhat later if we desire to do so. Committee on organization will forward lists to German manufacturers.

Our share of present distribution of stocks is only approximately 30 per cent of total amount of available dyes listed in Wartrabard's 3279 of September 29, 4 p. m. This because of Wartrabard's desire for specific vat dyes and limitation of our percentage of each dye in the distribution.

After the general meeting with the Germans I had a conference with Von Weinberg, present head of cartel, and his associates regarding direct purchase from plants of dyes needed to complete our requirements. Von Weinberg gave me in writing an offer to fill such balances at following scale of prices: (1) For vat dyes per kilo, divide price in marks on lists of August 15 by 4 and quotient equals price per kilo in dollars; (2) for general colors, divide by 5.

Thus a vat dye listed at 10 marks per kilo would cost us at factory \$2.50 per kilo, while a general color listed at 10 marks would cost us \$2 per kilo. Terms, cash, in dollars, on delivery of dyes at plant. This offer holds for at least four weeks.

These prices represent at German factory, without including tariff duties, slightly less than current American prices on dyes now manufactured in America. French, Belgians, and Italians inform me that these prices conform to those they paid under previous authorization to purchase from German stocks at open-market prices.

Effort to gain consent of Allies to increase our percentage of present distribution unsuccessful, as all are in need of vat dyes.

Vat dyes of the present distribution are so cheap that we should place immediately with committee on organization application for immediate delivery of our full share of each dye listed in Wartrabard's 3279.

Decision of Wartrabard outlines in No. 3325, October 3, 11 a. m., is incredible, taken as it was just while negotiations with Germans were actually in progress here, although department's 3262, September 27, 4 p. m., stated that import licenses were being withheld "awaiting the outcome of the current negotiations in Paris." Furthermore, I stated in Washington in presence of Mr. Bennett, of Wartrabard, that I would not undertake mission to Paris under any such policy as has now been decided upon, because I was unwilling to engage in a matter of competition with German agents.

Wartrabard's announcement that "negotiations have been instituted with a view to securing German dyes at prices similar to those contemplated in annex 6 of part 8 of the peace treaty with Germany" is very unfortunate, in view of my repeated statements as to extremely low prices of peace-treaty dyes. Department's 3262, September 27, 4 p. m., paragraph 2, emphasized that "price is subordinate to the need of prompt delivery."

Wartrabard in No. 3325 questions accuracy of my statements as to prices of dyes under peace-treaty distribution. This information was, of course, given correctly in my No. 4298, September 20, 8 p. m., and was confirmed in my 4507, October 3, to you. Germans on October 4 accepted without hesitation this basis of settlement on current exchange rates in terms of marks. I again repeat the statement. Von Weinberg informed me that stocks on August 15 were listed at these very low prices in order to conclude as quickly as possible this part of treaty. British inform me that Germans were required to submit prices in marks instead of Swiss francs, as in lists of April 5.

Please cable quickly instructions as to peace-treaty dyes. If they are desired, to whom shall consignment be made, from whom will committee on organization receive payment, etc. In view of Wartrabard's action as to distribution of import authorizations my presence here no longer required. Offer of Germans regarding needs above distribution share holds good for at least four weeks and an order can be cabled direct to Von Weinberg, in care of Leopold Cassella & Co., Frankfurt, by Textile Alliance or whatever body may handle the matter. Of course, there is the possibility that Germans may decline to comply with terms of their offer to me in view of the fact that the offer was made for the total balance of our needs over and above our peace treaty distribution share. As soon as I hear regarding wishes as to peace-treaty dyes I will return.

AMMISSION.

(O urgent 3361.)

OCTOBER 7—2 P. M.

AMMISSION, Paris:

Your (4474) October 1, 11 p. m.

One. Please explain what is meant by the provision "That such immediate deliveries would be a charge against the amounts to be delivered in accordance with the option should it be later exercised further."

Two. Does the plan now contemplated still contain the provision that the quantities secured shall not consist of more than 30 per cent of the amounts under option of any particular dye; and if so, will such provision prevent our securing the various quantities of the different vat dyes mentioned in department's 3279, September 29, 4 p. m.?

Three. It is our understanding that the London conference recommended only a two months' supply for France, Italy, and Belgium. Is it expected that we will be granted a six months' supply of vat dyes? Or is the reserve, 1,500 tons for the United States, intended to provide only a two months' supply of various dyes?

Four. The department does not understand exactly the practical steps you contemplate if the pending proposal is accepted by the German delegates. Neither Herty or department has any authority to make a commitment on behalf of this Government to purchase or pay for any dyes. As stated in paragraph B of section 4 of department's 3262, September 27, 4 p. m., it is our view that such purchase and commitment can be made only by some agency, such as the Textile Alliance, and then only to the extent that orders are actually placed with it and payment guaranteed by the consumers. The application referred to in department's 3262 and department's 3279 are merely indicative of the amounts which consumers wish to import and which

we will permit them to import. Advise us of any change. Do not constitute any firm commitment by them to take these dyes and to pay for them. We do not understand how Herty can request or take delivery of any specified dyestuffs simply on the faith that he would probably be able to dispose of them in this country. It is our view that he can do no more at present than state that our requirements will be approximately the amounts indicated in department's 3279, leaving it to the Textile Alliance, after receiving guaranteed orders, to state the exact figures and to make such commitments or arrangements for payment as may be necessary under the provisions of the plan. It is therefore important that we be advised as soon as possible what the conditions of payment will be for the dyes which our consumers secure.

Five. We agree that arrangements should not be delayed until the arrival of the Textile Alliance representative, but the alliance will have a distinct responsibility in the matter, and we feel that they should send a representative abroad if they desire. Mr. F. A. Fleisch, vice president of the alliance, has just left for Europe on other business, and it will be convenient for him to attend to the dye matter at the same time. He will arrive at Paris about October 15.

Six. Referring to paragraph 6 of your 4474. Since the resumption of general trade with Germany on July 14 our control over dye imports has assumed in substance the character of purely protective measure to safeguard our domestic dye industry against the influence of competing German dyestuffs. This attitude was clearly stated in department's 2632, July 25, 4 p. m. in reply to Ammission's 3166, July 15, 1 p. m. Under present conditions it is the restrictions which are exceptional rather than the reverse.

Seven. Very confidential. The department is unable to assent to your conclusion in your 4474, paragraph 6, that the treaty gives rise to any obligation on the part of this Government to compel our citizens to secure their dyes only through the Reparation Commission. The language of the treaty merely accords an option so to secure them, and the adoption of your view would prove most embarrassing, because upon the ratification of peace there will be no statutory authority to give it effect. The issue bill does not grant authority but on the contrary makes it expressly mandatory upon the commission to issue licenses immediately for the importation of all dyes not obtainable in this country. Dulles, who participated in the drafting, has advised us that there is no obligation of any kind on the United States to insure the utilization of the Reparation Commission in the purchase of dyestuffs, and that in fact it was understood in Paris that the United States would not avail itself of the option accorded by annex 6. The department is willing to continue to protect the domestic industry by restricting importations to limited quantities of dyestuffs not obtainable here, but we are not prepared to dictate to consumers the prices at which, or the channels through which, they shall purchase these commodities. We feel that we have gone as far as warranted in assenting to a plan to anticipate the option leaving it optional with the consumers whether they will avail themselves of such, having admitted the pressing need of vat dyes in the United States. It seemed clear that an adherence to the policy expressed above, together with the pressure brought to bear upon the War Trade Board Section by the consumers, demanded immediate action of the character described in the department's 3325, October 3, 12 a. m. Furthermore, we had assumed, in view of the declaration secured by Dulles, referred to in Ammission's 4173, September 12, 8 p. m., that there would be no objection to our permitting our citizens to secure a limited supply of German dyes through ordinary commercial purchases. Please show to Herty.

LANSING.

(4572) OCTOBER 8—1 P. M.

SECSTATE, Washington:

Referring Herty's cable to Garvan, sent by Ammission's (4551), October 6, 9 p. m., the letter mentioned in Ammission's (4774), October 1, 11 p. m., was accepted in full by Germans at meeting of October 4. The option, therefore, was not involved, except as diminishing the quantity of stocks on which it will operate. A proposition made by the American delegates that the Germans should hold 50 per cent or 25 per cent of stocks on hand between August 15 and the date of the coming into force of the treaty was not insisted on, as the general opinion was that it would be impolitic to attempt to enforce too severe restrictions.

In accordance with the suggestion of the Belgian delegation the lists of the requirements of the allied and associated powers will be sent promptly to the Rhineland Commission, who will then discuss with the German representatives the means of filling the orders as expeditiously as possible with regard to choice of factories, details of shipment, etc.

This appears the most feasible agreement, as the Rhineland Commission is conversant with the whole situation.

Ammission agrees with Herty in considering Wartrabard's action in issuing permits freely licensing consumers to secure dyes through any commercial channels on the very date before negotiations were concluded with the Germans as exceedingly unfortunate for the following reasons:

1. From the information at hand the German agencies concerned will perpetuate the old methods, for the existence of which there is no real necessity.

2. The action will infallibly handicap us in our relations on this matter with our allies.

3. It is embarrassing to Herty, who on the day following the issue of licenses made an adequate arrangement, subject to approval from America, with the head of the German dyestuff experts for the purchase of the balance of the needs of American consumers.

4. The method initiated by the Wartrabard's decision will diminish appreciably the amounts to be paid in the way of reparation.

5. While control is still being maintained, as stated in Ammission's (4474), paragraph 7, it is inadvisable to offer inducements to unauthorized diminutions of the stocks under co— [word not entirely printed].

The decision comes just at the moment when what appears to be a thoroughly satisfactory agreement had been reached with the Germans and also a complete understanding had been attained with our allies.

AMMISSION.

(3383) OCTOBER 9—3 P. M.

AMMISSION,

Paris (urgent).

Your (4551) October 6, 9 p. m. (Garvan from Herty):

First. In reference to the "Incredible decision of the War Trade Board, outlined in the department's 3325, October 3," and referred to



in your cable, please inform Mr. Herty that the decision of the War Trade Board was directed by the Department of State for certain important reasons here, but if dyes can be obtained promptly through the Reparation Commission it is the opinion of the department that practically all the dyes licensed to be imported will be purchased through the channel of the Reparation Commission.

Second. Concerning Mr. Herty's reference to the War Trade Board in No. 3325 as questioning the accuracy of his statements as to price of dyes under peace treaty distribution, please inform Herty, Dresel, and Rathbone of the following:

The War Trade Board had no intention of questioning Herty's understanding of agreement with the Germans, but both the board and Department of State were doubtful of the ratification of the Reparation Commission of such a proposition. Norman Davis, Dulles, and others handling reparation matters in the department feel there is grave danger in doing anything which will establish a precedent that the value of commodities handed over by Germany as part of reparation should be credited to her against the reparations bill at a depreciated rate. The money paid for the dyes will go to the credit of the reparation account. It is felt that the rate of exchange between Germany's mark and American dollars, for instance, is due to abnormal conditions of foreign trade, etc., and that the value of the dyes in dollars at the current rate of exchange is not a fair credit to the reparations fund. Exhaustive study is being made of this general matter in the Treasury and State Departments at the present time and it is felt of utmost importance that until a conclusion is reached the American representative on the Reparation Commission, if consent is given at all to such a policy in reference to dyes, will make it clearly understood that the action taken in reference to the dyes will in no way stand as a precedent or effect the adoption of a definite policy as regards credits in reparations. We realize the amount involved in respect to the dyes is small, and if decision has been taken already in this matter by the Reparation Commission no objection will be made by the department, provided reservation is made as outlined above. It is important that you let us know as soon as possible whether the Reparation Commission has ratified the basis of settlement on current exchange rates.

Third. Please explain to Herty the department's appreciation of his efficient work, and that it considers of great importance Mr. Herty's presence in Paris as a dye expert. It is felt inadvisable that Mr. Herty, a Government employee, should, for himself or the Government, take the responsibility of the details of the commercial transaction of actual buying the dyes. The handling of this matter by the Textile Alliance will probably relieve the Government of a great deal of the responsibility and obnoxious detail in the matter. The arrangement for treaty dyes should be pushed rapidly to its conclusion; representative of the Textile Alliance should be on the spot in a few days to arrange the details, with power to take the dyes and pay for them.

Fourth. As regards offer of Germany regarding needs above distribution share, we see no objection to the Textile Alliance closing with Von Weinberg for the dyes it will need to supply consumers ordering dyes through them. It will seem wise, however, that this transaction should be considered a private commercial transaction on the part of the Textile Alliance. There would appear to be no real difficulty in the Textile Alliance prorating the dyes and the different prices.

Fifth. This cable approved by A. P. C. 3383.

LANSING.

(4633) OCTOBER 12—11 P. M.

SECSTATE, Washington.

W. L. DRESEL: Your (3361) October 7, p. m. Answering your paragraph 1, concluding word "further," quoted as contained in Ammissions 3262, September 27, 4 p. m., paragraph 1, is not in that cable as sent. The stocks given in the list of August 15 constitute by agreement the basis for a final settlement. Advanced withdrawals from these stocks as arranged October 4 will diminish by corresponding extent amount of each dye available for final exercise of peace treaty option.

Your paragraph 2: Plan agreed on with Germans provides that France, Belgium, and Italy together may in present partial distribution secure not more than 30 per cent of the 50 per cent option on each item of stocks listed—that is, 15 per cent of total weight of each item—provided such withdrawals shall not aggregate more than 2,200 tons. Under London agreement of September 15 United States and Great Britain together have privilege of withdrawing not more than 40.9 per cent of the 50 per cent option on each item of stocks listed—that is, 20.45 per cent of the total weight of each item—provided such withdrawals shall not aggregate more than 3,000 tons. As United States and Great Britain are placed under an equal basis under the London agreement, United States are entitled to withdraw 10.2 to 5 per cent of total weight of each item listed, provided that total weight does not exceed 1,500 tons. On this basis it will be impossible to secure the full amount desired by consumers of all dyes specified in No. 3279, September 29, 4 p. m.

Your paragraph 3: These preliminary withdrawals from stocks are not based on a supply for a definite number of months. Definite tonnage allotments have been made regardless of time requirements. If, as is expected, the peace treaty will soon become effective, a prompt exercise of the option on the remainder of stocks as of August 15 may be looked for.

Your paragraph 4: Neither Ammission nor Herty have ever considered a commitment of our Government to a purchase of dyes or payment therefor, but it was the understanding that either the consumers' association, referred to in your 3062, September 8, 8 p. m., or the Textile Alliance, referred to in your 3262, September 27, 4 p. m., would be able to advise promptly as to what dyes should be applied for under the terms of the treaty. It was presumed that, on account of the very favorable terms indicated by the lists furnished by the Germans, a guaranty or specific statement would be forthcoming which would make it possible to state definitely the American requirements. This was strengthened by the authority conferred by department 3262, September 27, 4 p. m., to anticipate the option. Such anticipation even though partial would of necessity entail at least a moral obligation toward our allies to make ourselves responsible for a definite quantity, and though it was agreed that it was not necessary, under the arrangements actually made, to anticipate the option, it is evidently equally unsatisfactory in that case to make only a noncommittal estimate of what the consumers' needs may be. In your 3262 you state that it is. The other powers have, in each case, definitely stated what amounts they are willing to take up, and it is difficult to see how they can be expected to reserve stocks for us until the consumers have made up their minds how much they wish to obtain by benefit of the treaty clauses and how much from outside sources. It is obviously impossible to make the amount ordered from the Ger-

mans in pursuance of the present arrangements a varying quantity. However, in view of your paragraph 4, distinct statements will be made that we are not authorized to take up any specific quantity, but must await definite orders from the consumers.

Outside of the treaty provisions and in order to cover the shortage of dyes resulting from the small percentage allotted under the London agreement, Herty obtained an offer from the Germans to complete the amounts of each item in your 3279 of September 29, 4 p. m. He has never, however, contemplated taking delivery of any specific dyes except on authorization of the consumers' association or the Textile Alliance, and the offer of the Germans committed us to nothing, but afforded a means of quickly filling American needs.

Your paragraph 7: Ammission has never been of opinion that the treaty in any way compels American citizens to secure their dyes only through Reparation Commission, but has been in entire agreement with the language of your 3622, in which you state that it is desirable that all American dye requirements should come through the Reparation Commission, so that the value thereof may be credited to the reparation account. It has been felt that our citizens would naturally prefer that, as far as possible, funds arising from dye purchases should go to the reparation funds rather than to individual German manufacturers and agents.

POLK, Ammission.

(4651) OCTOBER 14—9 P. M.

SECSTATE, Washington.

E. L. DRESEL: Referring Ammissions 4572 October 8, 1 p. m., German Government has by letter signed by president of German delegation, guaranteed the accuracy of the lists of dyestuffs stock as handed over to interim reparation committee.

The latter has expressed its willingness to examine the possibility to render less severe the control now being exercised on dyestuffs factories in the occupied territory if the German Government gives the following guaranty: "It is further guaranteed that the stocks existing August 15, 1919, will be strictly maintained until the expiration of the delay of the option with the sole exception of the quantities mentioned in the letter bearing the number 796 and dated September 25, 1919 (this is the letter mentioned in Ammissions 4474, October 2, 11 p. m.), and that all necessary measures will be taken so that the allied and associated powers can begin as soon as the treaty is ratified proceedings under the option and exercise within the stipulated term the option on the production, as provided for by paragraph 2 of annex 6 of title 8."

Interim Reparation Commission has communicated to the Interallied Rhineland Commission the agreement arrived at with the Germans and this commission has been requested, first, to assure the execution of the agreement; and, second, to give its opinion as to the measures which can be taken to render control less severe in case the German delegation should give the above guaranty.

Your 3383, October 9, second paragraph memorandum for next meeting of Interim Reparation Committee has been prepared and covering statement will be made in accordance with your views.

POLK, Ammission.

(3471) OCTOBER 17, 6 P. M.

AMMISSION, Paris:

Mission's 4651, October 14, 1 p. m.: Please refer to department's 3383, October 9, and advise immediately whether Reparation Commission has approved of purchase of German dyes which have been made available as result of the recent negotiations at current rate of exchange. If so, will such current rate for American purchases be Paris rate of United States rate? (or United States rate?)

Referring your Garvan from Herty, 4551, October 6, 9 p. m., and in modification paragraph 4 of department's 3383, October 9, department is now of opinion that Von Weinberg offer to Herty, because of its official character, should be handled by Textile Alliance as official. It is not likely that this offer will be availed of, because War Trade Board has already issued to private importers licenses covering the greater part of the vat dye allocation. Unless these importers agree to participate in acceptance through Textile Alliance of Von Weinberg offer, its acceptance may not be necessary.

War Trade Board will cable to Herty fully Saturday or Monday. Show this to Herty. 3471.

ADEE, Acting.

NOVEMBER 12, 1919.

HON. STEPHEN G. PORTER,  
House of Representatives.

SIR: I have the honor to acknowledge the receipt of your letter of October 31, 1919, addressed to Mr. Lay, acting foreign trade adviser, making inquiry relative to the status of dyestuffs, and your subsequent letter of November 7, 1919, in regard to the same matter.

The War Trade Board (by Executive order of the President now the War Trade Board Section of the Department of State), so far as the control of imports is concerned, derives its authority from section 2 of the trading with the enemy act. It had always been the opinion of the War Trade Board, and it is now the opinion of this department, that the trading with the enemy act was enacted purely as a war measure. Accordingly, it has always been believed that the War Trade Board should function solely as a war agency. For this reason import restrictions were imposed during the war primarily for the purpose of conserving tonnage to divert it to war usages. The necessity for such conservation having disappeared after the signing of the armistice of November 11, 1918, the War Trade Board began to remove those restrictions as rapidly as possible. Since the conclusion of the armistice there have been presented to the War Trade Board numerous requests that import restrictions be maintained or instituted for the purpose of protecting industries and stabilizing prices.

Consistently with the belief expressed above, these requests were not acceded to on the theory that the enactment of such protective measures appeared to be the exclusive prerogative of the Congress, and that to maintain or impose restrictions in such cases would be a clear case of supererogation on the part of the War Trade Board.

The control over the importation of dyes, dyestuffs, and related chemicals of German origin was maintained as an exception to the above-stated policy because of the peculiar and special circumstances which were involved. The War Trade Board were advised that a bill had been introduced in Congress for the purpose of protecting the American dye industry because of its relation to the problem of national defense. The War Trade Board was urgently requested to maintain the control as an interim measure against the day when the introduced legislation would become a law or would fail. Accordingly the War Trade Board agreed to make the exception because of the emergencies of the



case and to maintain the control temporarily, not for the purpose of protecting the industry for its own sake but because of its relation to the problem of national defense.

In order that the control thus maintained might be properly administered the War Trade Board appointed an advisory committee on dyes, on which consumers and manufacturers have equal expert representation. Inasmuch as the War Trade Board was exercising the control as an interim measure against the possibility of legislation already introduced, the War Trade Board believed that, in formulating their policies in relation to the control, every effort should be made to conform to, and not to exceed, the control contemplated by the legislation. Accordingly the War Trade Board limited its control to the very dyes, dyestuffs, and related chemicals which were enumerated in the Longworth bill. The War Trade Board also borrowed textually the language of that bill in adopting the policy of authorizing the importation of the controlled commodities when the same are not obtainable from United States sources, or, if obtainable from those sources, when they are not obtainable on reasonable terms as to price, quality, and delivery.

In the early part of September, 1919, a need of certain quantities of vat dyes of German origin having been made manifest in this country, the dye advisory committee informed the War Trade Board section that those dyes were not obtainable from United States sources, and recommended that importations of quantities sufficient to meet the requirements of consumers for a six months' period should be permitted. The dye advisory committee also recommended to the War Trade Board section that, in authorizing the importation of the aforesaid quantities of dyes, consumers should be required to import the same exclusively through a designated official agency.

The purpose of this recommendation was, avowedly, to bring about the elimination as agencies of importation of the former American agents of German dye manufacturers. The dye advisory committee as well as a large number of manufacturers stated to the War Trade Board section that in their opinion any substantial importation through those agencies would endanger the American industry. I instructed the War Trade Board section to accede to the recommendation of the advisory committee to the extent of permitting importations to satisfy the six months' requirements of consumers, but to inform the committee that the department, however much it desired to protect the American industry for reasons of national defense, could not compel consumers to effect their importations exclusively through a designated official agency; that the designation of such official agency would partake of the nature of an exclusive monopoly, and that such exclusive monopoly would be repugnant in that it would be a discrimination against American citizens who were engaged in the business of importing.

Accordingly, an allocation of license privileges to import a six months' supply of vat dyes of German origin into this country was made among consumers on October 1, and consumers were advised that they themselves or their assignees of the allocation certificates could apply to the War Trade Board section and obtain, upon surrender of the certificates, licenses authorizing the importation of the quantities stipulated in the certificates.

In the latter part of September the need of certain quantities of dyes of German origin, other than vat dyes, having been made manifest in this country the dye advisory committee recommended to the War Trade Board section that importation of quantities sufficient to meet the requirements of consumers for a six months' period should be permitted. In this connection the dye advisory committee informed the War Trade Board section that vat dyes are not produced in this country. Accordingly when the War Trade Board section, on October 8, advised consumers to file their applications for allocation certificates the War Trade Board section, mindful of the provisions of section 503(b) of the Longworth bill, advised consumers as follows:

"Allocations will be made only when the articles desired to be imported are unobtainable from United States sources, or, though obtainable from United States sources, are unobtainable on reasonable terms as to price, quality, and delivery."

The applications which have been received will be considered by the advisory committee at a meeting to be held on November 10, and at that meeting an allocation of license privileges will be made among the consumers. As in the case of vat dyes, and for the same reasons of policy that prevailed then, consumers, upon receipt of their allocation certificates, will be advised that they themselves or their assignees of the certificates may apply to the War Trade Board section and obtain, upon surrender of the certificates, licenses authorizing the importation of the quantities stipulated in the certificates.

The dye advisory committee upon being informed of the policy of this department, as stated above in relation to the forthcoming allocation, informed the War Trade Board section that many dyes made in this country will do the same work as other dyes not produced in this country, and that accordingly allocation certificates should be denied in every case where an equivalent or substitute dye which is produced in this country will do the same work as the dye sought to be imported.

On instructions from me the committee has been advised by the War Trade Board section that the stated policy of this department in connection with the forthcoming allocation was to permit the issuance of allocation certificates in all cases when the articles sought to be imported are unobtainable from United States sources, or though obtainable from United States sources are unobtainable on reasonable terms as to price, quality, and delivery.

I appreciate that the substitutions which the committee recommends may be of appreciable benefit to the American industry, but I have deemed it expedient to instruct the War Trade Board section that substitutes and equivalents, howsoever satisfactory, should not be forced upon unwilling consumers. In issuing these instructions I was moved by the following considerations:

In the first place, as stated above, the present control of the War Trade Board section should not, I believe, go beyond that which is contemplated in the pending legislation. The Longworth bill does not, in my opinion, authorize substitutes and equivalents.

In the second place, I fear that the dye advisory committee and the War Trade Board section will find it extremely difficult to decide upon a formula of reasonableness for price, quality, and delivery which, after being defined, must be applied to the application. In adopting this formula, howsoever accurate it might be, the dye advisory committee and the War Trade Board section, in my belief, will invite criticism on the part of many consumers. However, the administrative difficulties which the dye advisory committee and the War Trade Board section will experience in establishing the formula referred to above are difficulties which the legislation itself suggests, and to that extent the control does not extend beyond that which is contemplated in the present legislation. However, the legislation does not authorize sub-

stitutes and equivalents, and I feel that if I should give my sanction thereto the War Trade Board section and the dye advisory committee would find it more difficult to suffer the criticism of unwilling consumers, because in that case the control would have been carried far beyond that which the legislation contemplates.

I have instructed the War Trade Board section, however, to inform the dye advisory committee that if the committee agrees unanimously that a substitute or an equivalent will do the same work as the dye sought to be imported I will agree that the decision of the committee should be referred to the consumer, and that if the consumer refuses to accept the recommendations of the committee, then an allocation certificate will be issued to such consumer entitling him to import the very dye he has applied for.

You will conclude from the foregoing that, having agreed to maintain the precast control as an interim measure of protection against the day when the present legislation shall either fail or be adopted, it has been the policy of the War Trade Board and of the Department of State to go no further than the legislation itself. The Longworth bill permits of no discrimination in the matter of importation and authorizes no substitution in the dyes themselves. When the need for the controlled product has been ascertained the act makes the issuance of the license mandatory. In my judgment the extension of the present control beyond the scope of the contemplated legislation, for the very purpose of discriminating between importers and of forcing substitutes upon unwilling consumers, would be not only impolitic but the very clearest case of supererogation of congressional authority by this department.

I have the honor to be, sir, your obedient servant,

ROBERT LANSING.

Mr. SHORTRIDGE. It may be of interest to the Senator to know that the testimony is being printed, and we are promised that it will be finished within two or three days.

#### THE REPARATION DYES.

Mr. MOSES. We here enter, Mr. President, upon the extended and thickly undergrown field of operations wherein figure the so-called German reparation dyes and the Textile Alliance. This organization was established in 1913 for the chief purpose of eliminating the unfair practices existing in the textile trades through the intense competition of dye merchants and importers. That work was performed by the Textile Alliance with marked success, and upon its completion the alliance contemplated relapsing into inactivity. An occasion arose, however, for the exercise of its functions in connection with certain necessary manufacturing materials upon which the British Government had set an embargo at the beginning of the war, and this task was also performed to the ready acceptance of American manufacturers. It was only when the alliance stained its hands with the dyes which have corruptly tinted substantially the entire fabric of American commerce that it departed from its original purpose of stamping out unfair practices and itself resorted to the most unfair business practices of which there is record and of which the documents I have just asked to be printed contain ample proof.

From these documents, Mr. President, we learn first of all that the State Department throughout has pursued an honorable course, seeking in no instance to lay burdens upon the American consumers of dyes and standing vigorously on every occasion for the perfect freedom of every individual American importer or consumer of dyestuffs to have free access to such foreign market as has been afforded us.

The alliance committed its dye interests to a committee of seven members, six of whom were supposedly representative of the dye manufacturing and consuming interests, with the seventh supposedly neutral. This neutral member proves, however, to be none other than Dr. Charles H. Herty, who, in his testimony before the Shortridge committee, admitted himself to have been an active and vigorous propagandist for the dye embargo from the very beginning of the agitation. Another member was Mr. Morris Poucher, whose identification with the Du Pont interests I set forth completely in an earlier speech in the Senate on this subject, and another was Mr. W. H. Watkins, representing the National Aniline. Thus the two concerns, the Du Ponts and the National Aniline, who constitute the monopolistic features of the dye industry in this country, have had constant representation in everything that has been done concerning the German reparation dyes, and Mr. Watkins is even now assisting Mr. Edward S. Chapin in the office of the Textile Alliance at Paris. It may not be without further significance, Mr. President, that on certain occasions, as these documents show, when this committee met, Mr. Joseph H. Choate, jr., was also in the company.

This committee of the Textile Alliance was constituted, in addition, as the advisory committee on dyes for the War Trade Board, and since it is fair to assume from the record of their transactions that the members of the War Trade Board were wholly ignorant of the dye industry, it is no stretch of the imagination to conclude that the dye consumers were thus sewn up in a bag provided by the Textile Alliance, and as still further indicating the strangle hold which the great dye interests of this country were enabled to exercise upon the War



Trade Board, which was a Government agency, I point out that there were named as its experts Mr. W. R. Morehouse, of the National Aniline, and Mr. R. S. Lunt, of the Du Pont Co.

ACCESS TO GOVERNMENT SECRETS.

The importance of enabling these two great domestic dye manufacturers to have access to a government agency's private information need not be emphasized. It has been a constant source of unfavorable comment by dye consumers in this country and doubtless accounts in part for their expressed desire to revert to normalcy in the process of securing necessary dyestuffs from abroad—as indicated by a petition recently filed with the State Department, signed by more than 300 of the leading consumers of dyestuffs in this country and protesting against a continuance of the practices which are now in vogue and which are sought to be perpetuated by the embargo portion of this bill.

It was in September, 1919, Mr. President, that the Textile Alliance began operations in the field of dyes, but it was not until October that any arrangement was entered into between the alliance and our Government. Its function was supposed to be solely that of an intermediary for the procurement and distribution of German reparation dyes for all American consumers who might wish to avail themselves of its services. Although its charter prohibits it from earning profits, it has, in less than three years of operation, accumulated undivided earnings amounting to nearly \$2,000,000, which are held in its treasury, though it was expressly stipulated, as these documents show, that its surplus, over and above necessary and legitimate expenses, should be divided pro rata among the consumers who had availed themselves of its services.

Its activities speedily spread from the limited scope afforded by the reparation dyes to the wider field opened by the opportunity to import other dyes; and, if we may judge from the declarations contained in the annual reports of their European representative, which I have here submitted, and from statements made by its president before the Shortridge committee, whose record is not yet available, it is a fair conclusion that their activities have been chiefly, if not solely, in the interests of the two great American dye producers, the Du Ponts and the National Aniline, whose representatives the alliance thrust into the councils of the War Trade Board.

Although designed, as I have said, to function only in connection with the reparation dyes, the Textile Alliance speedily undertook to force American consumers who sought nonreparation dyes to transact their business through the alliance agency. This they were enabled to accomplish primarily because they alone had access to the low-price reparation dyes, and with this weapon were enabled to cut prices and generally to resort to the unfair trade practices which the Textile Alliance was originally organized to stamp out. The alliance was not content with the use of this weapon alone, and it appears from a letter of October 25, 1919, addressed to the president of the Textile Alliance by the acting chief of the War Trade Board, that arrangements had been made to force American consumers holding allocation certificates for German dyes to assign these certificates direct to the Textile Alliance or otherwise to be shut out from any participation in importations of low-priced dyes or to share equitably in any surplus remaining after the allocation certificates had been filled.

ANTITRUST LAWS DO NOT APPLY.

There can be no doubt, Mr. President, that one purpose in the back of the alliance's head from the beginning of its operations was to establish a monopoly, because its counsel, under date of October 8, 1919, advised the alliance that "the antitrust laws have no application."

Under these circumstances the alliance continued its activities until December 14, 1921, when Secretary Hughes terminated the arrangement upon the ground that no legal authority existed therefor. Since then, however, the State Department has notified the Reparations Commission, through our unofficial delegate upon that body, that this Government has no objection to the continuance of the arrangement whereby the Textile Alliance received and distributed the reparation dyes, and the alliance, under this nebulous authority, is still in operation.

There is but one essential fact in this connection yet to be added: Whereas the reparation dyes are delivered to the representatives of other countries without cash payment and are credited upon the reparations account, the United States is compelled to pay cash for its dyes from this source and more American money is thus being pocketed by those who already owe us billions, while the profits on the transaction go into the treasury of the Textile Alliance, and already amount to substantially \$2,000,000.

It will be noted, Mr. President, that I have dealt with only three of the actors in the gigantic fraud which I am opposing—

the Du Ponts, the Chemical Foundation, and the Textile Alliance. There are many others, a discussion of which would occupy hours and even days to outline. These three, however, are significantly interlocked in their related personnel and in their activities; and it is they whose subsidiaries, officers, stockholders, lobbyists, paid propagandists, and faked and kept organizations have been the most aggressive, avaricious, and insolent of all the profiteering crew who pertinaciously push this legislation.

Since August, 1914, an embargo on dyestuffs has been effective in the United States—part of the time through operation of war and part of the time through operation of law—and since the proposal which I am now discussing looks to a continuance of that condition of affairs it may be interesting, Mr. President, to inform the Senate and the country exactly how it works.

THE NEW COLOR, "ELEPHANT'S BREATH."

May I preface this portion of my remarks, sir, with a few observations upon the dye industry in general? While substantially every leading industry in the country is compelled to use colors, it is the textile industry which offers the chief field for the consumption of dyestuffs, and the textile industry thrives almost wholly upon the fickleness of fashion. Fashions, I may add, rarely originate on this side of the Atlantic. It thus happens, Mr. President, that if the Sisters Caillot should determine that the fashionable shade for autumn wear in this year of grace 1922 shall be a new color to which is given the enticing name of "elephant's breath" or some other appellation equally alluring, textile manufacturers everywhere will rush to produce cloths in the "elephant's breath" tint, and their first impulse will be to seek the dye makers for the shade which fashion decrees. It may happen, it always has happened, and it probably will continue to happen, that this shade has first been produced in a European dye factory. Imitations, of course, will everywhere spring up; but the American manufacturer, wishing to be sure of his trade, will naturally seek an authentic source of supply for his color.

What happens under the embargo as existing and as proposed to be continued? The manufacturer applies to the Federal authority for a license to import the color he seeks. The Federal authority promptly notifies the American dye manufacturers that John Smith, a weaver at Fall River, wishes to buy a thousand pounds of "elephant's breath." An agent from an American dye manufacturer promptly appears in John Smith's office and offers him a color which he avers to be "equally as good" and for which he intends to charge a much higher price than the European product will command. Mr. Smith, after making sample dyeings, discovers that the substituted color which is offered him is proof against neither the sun, the rain, nor the laundry, and after a long delay and the use of much emphatic language he establishes these facts before the Federal authority. Permission is then given him to make the desired importation and he places his order. This is a condition, Mr. President, which Secretary Lansing foresaw in his letter which I have above presented, written to Representative PORTER, and in which the Secretary predicted that the extension and continuance of embargo control could be only "for the very purpose of discriminating between importers and of forcing substitutes upon unwilling consumers," and by the time the importation reaches this country the delay has been so great that the season is past and Mr. Smith, of Fall River, is unable to make and market his goods.

HOW IT WORKS IN FACT.

Lest, Mr. President, I shall be deemed in this supposititious instance to have overstated the facts, I desire to refer at this point to a letter from Joseph Baneroff & Sons Co., doing business, it may seem strange to add, at Wilmington, Del., who complain of "the delays and holdups in getting dyes" which they had ordered from the Textile Alliance, with whom they placed an order for a certain shade of brown on the 27th of January of this year. On the 22d of April they had received nothing but excuses, and they then endeavored to procure the color through a private agency. In this they were unsuccessful, because none of the color was made or was stocked in this country; and both the consumer and the importer were compelled to go through the interminable process of a circumlocution office in a Federal department in Washington, while the man in Wilmington, Del., lost his order.

Another instance with which I happen to be even more familiar arose in November of last year, when a manufacturer in my State sought to import a quantity of dye known as Idanthrene Blue B C S. This consumer obtained from the Federal Government a consumer's license for this importation only after exhaustive representations and tests proving that this particular dye was less sensitive to lime, faster to chlorine,

and in every way superior to the domestic product which the Du Ponts attempted to thrust upon him. After many weeks' delay, to wit, on January 16 of this year, 11,000 pounds of this color were entered at the customhouse in New York for the New Hampshire consumer, entry was granted, and the dye was shipped to New Hampshire. It was received at the mill on January 20, and was immediately put in process in the fulfillment of a large order which the manufacturer had two months before received for that particular color of goods; yet five days later a Government demand was made for the return of this color, already in the vats and partly in the cloth, because the American producer had been able to secure the attentive ear of the bureau at Washington. This ridiculous demand, of course, could not be complied with; and it was only after the most energetic of representations on my part, fortified by actual samples of the two colors, imported and domestic, as shown by sample dyeings in the yarn and in the fabric, that the absurdity of the situation was made apparent and the order rescinded. And in this connection, Mr. President, I wish to add only that among the American experts from whom the Government bureau sought an opinion regarding this color was the Du Pont Dye Works, whose opinion, as might be expected, was in their own interest and contrary to that of the textile schools at Lowell and Philadelphia, upon whose judgment the Government bureau finally acted.

Another example of the delays occasioned by the dye embargo is that of an order entered by the United States Worsteds Co., of Lawrence, Mass., for 200 pounds of Alizarine Blue Sky. This order was placed on October 20, 1921, and the merchandise was not received in this country until March 20, 1922, five months later. An interval of five months between the date of an order for a dye and its receipt unquestionably interferes with the proper conduct of the business of any dye consumer, and it happened in this case that market conditions had so changed that the American manufacturer could not afford to pay the price for this dye which was stipulated in the order.

Another instance of a like nature is to be found in a case arising from the endeavor of the Pacific Mills, whose plants are located in New Hampshire, Massachusetts, and South Carolina, to obtain a license for the importation of 6,000 pounds of Indanthrene Yellow R. This dye had been offered from abroad at \$1.85 per pound. The pre-war selling price of this color in America was 60 cents per pound, yet the Federal authorities refused to issue the desired license upon the ground that the price of \$3.75 per pound charged by the Du Pont Co. was reasonable, and this decision was maintained in the face of a protest lodged by the Pacific Mills in the following terms:

1. The difference between the market price of the imported dye and the market price of the domestic dye constitutes the equivalent of approximately one-half a cent per yard upon the goods to be manufactured, which represents in some of the lines more than the entire margin of profit.
2. Such a condition would force the plant to supplement this dye with inferior dyes at the expense of quality and to the detriment of the mill's reputation.
3. The domestic price of this dye was based on the cost of a small production, and the dye consumer was penalized and his business jeopardized because of this small production.
4. Figuring upon their present consumption of this dye over a period of 12 months the mill concluded that owing to this price difference they would pay the Du Pont Co. a premium of \$75,000 per year.

The condition set forth in paragraph 3 of the foregoing argument, Mr. President, contains the iniquitous heart of the entire dye embargo proposal. The dye manufacturers of America, realizing that for certain shades there is small demand and knowing that these shades are difficult to produce, have predicated their embargo demand upon all colors in the list, including those which are produced in tonnage proportion.

Another instance of how the embargo works and will continue to work in practice, an incident evidently of the erroneous information furnished to dye consumers by the Federal authority, is shown in the attempt made by the Merrimac Manufacturing Co., of Lowell, Mass., to obtain a license for the importation of only 100 pounds of a color known as Rhoduline Yellow 6 G T. On November 4, 1919, more than three weeks later, this concern made application for a license for this importation. On November 26 they were advised by the Government authority that their application had been referred to the advisory committee on dyes, whose personnel I have already commented upon. This committee reported that 50 per cent of the quantity of color desired could be obtained from a domestic manufacturer, and on December 8 the Merrimac Co. was advised that the names of these manufacturers could be obtained from the American Dyes Institute, this being the organization, Mr. President, whose lavish expenditures in lobbying in behalf of the proposed dye embargo I commented upon in detail in my speech in the Senate of May 9, 1921. The Dyes Institute, however, declared that it knew of no manufacturer of this

color, but that the dye producers of America would be circularized to secure the information. After some days of delay the Merrimac Co. was advised to communicate with three American dye makers, and after spending more than two months in an unsuccessful effort to obtain only 50 pounds of color the company canceled this order and lost the business dependent upon obtaining this dye.

#### THE REAL OBJECTION.

The correspondence in this case is to be found in full in the record of the Shortridge committee, and the witness before that committee who adduced this incident summarized the practical objections to the embargo in operation. His language is so clear and succinct that I venture to repeat it here.

Mr. Thoron said:

First. There were the delays in obtaining the dyes owing to the fact that they must be imported after obtaining the license.

Second. The delays in obtaining the license for dyes where questions of quality, price, and delivery were involved.

Now, the third objection is the impossibility of testing out substitutes satisfactorily. We believe that laboratory tests are dangerous, and proper running tests involving delays will require frequently larger samples for comparison than can be obtained in a reasonable time, and, taking only the question of fastness to light, in many cases to get a proper test it might require waiting for a summer sun, and it would be practically impossible.

Now, the fastness to light in certain kinds of product is a very important one. There are certain plain light fabrics which women make shirt waists out of that unless they can stand the summer sun or the beach sun, why they won't touch, and one may have had the experience of manufacturing with a foreign dye which had those qualities and then an American dye is produced which is claimed to have those qualities. You can not take the risk of adopting the American dye, even though its chemical composition is apparently the same, without testing to see whether it really does, because you may ruin the reputation of the fabric.

The fourth point was the reasonableness of price, which I have considered at some length. And we think that that is impossible, because beyond a certain point the consumer can not stand more than a certain price, and as long as the competing product is not embargoed out of the country, we ought to be given a chance, we ought not to have it at the same price as the foreign country, but we do think that double is the limit that we can stand.

Then, fifth, there is the hardship of carrying large supplies of chemicals. Certain people it does not fall very heavily on, because they have got ample capital. It is a serious matter with small people, and they will go without rather than be put to that. That simply means that the product will probably become gradually poorer.

Then there is the difficulty of the loss which one suffers from carrying large supplies of chemicals in case the use of them should become obsolete. Fashions change.

Now, the sixth point, and a very important one in my mind, is the lack of opportunity, or the difficulty of availing one's self of the opportunity, in keeping up with the best progress in textile dyeing, for many of the reasons already pointed out. This is particularly serious owing to the fact that no tariff protects dye textiles in the matter of quality. And textile manufacturers in this country for the home market are in competition with foreign textile manufacturers who have better opportunities to progress in their art and in their industry. Our dye industry will be busy catching up with the foreign dye industry. The foreign dye industry will be busy going ahead. If we are limited to easily obtaining only what our own industry is producing, we will always be a mile or two behind our foreign competitors, who are following those that are making further advances.

And in the seventh is an intangible but very demoralizing element—a feeling that everybody knows one's business. You write your necessities to the customhouse, and the customhouse refers your necessities to the dyes institute, and before long everybody knows what you are after, and that is not fair to the manufacturer who is trying to catch the market by being a little cleverer, a little more ingenious—disclosing what is running through his mind to everybody. I am not suggesting that they intentionally make any use of it, but the thing demoralizes you. You don't know—there is something about it that discourages you; and that is serious.

In addition, Mr. Thoron presented to the Shortridge committee a statement showing the period of time which elapsed between the date of application made by his company to the Federal bureau at Washington for a license to import and the date of the arrival of the importation at the port of New York. In no instance, Mr. President, was he able to secure his dyes in less than one month; in one instance it took three months, in three instances it took two months, in two instances it took three months, in three instances it took four months, and in three instances it took six months to procure his colors. I believe, Mr. President, that any person having any knowledge of conditions in the textile business would know that a delay of this character would utterly destroy the market for goods in process of manufacture.

#### MANY STATES INTERESTED.

Mr. President, at various times in the progress of this controversy I have been accused of opposing the dye embargo because of the textile interests of my own State. It is true, sir, that the largest individual consumer of dyestuffs in the world is my constituent; but I do not speak for him alone. The few instances which I have to-day adduced cover textile establishments not only in my own State but in the States of Massachusetts, Delaware, and South Carolina; and the Shortridge committee received other instances of a like character to show the hardship worked upon manufacturers in the States



of Pennsylvania, Michigan, Illinois, Wisconsin, New York, Rhode Island, and Maine.

Mr. President, only the other day, in the course of a discussion regarding the duty to be levied upon soya-bean oil, the senior Senator from New Jersey presented to the Senate what I then regarded and still regard as an irrefutably logical statement of a real protectionist's position. He said that he desired to give adequate protection to all, but that he did not wish to load upon the producer a tariff burden upon his raw material which would unnaturally increase the cost of the manufactured product. Yet, Mr. President, that is exactly what has happened to the dye consumers of the United States under the embargo as it exists and as it is now proposed to continue it.

On February 10, 1922, the United States Tariff Commission addressed the following letter to a woolen manufacturer of Massachusetts:

Please let us know, in regard to your last fiscal year, the total value, weight, and square yards of your sales of dyed or colored wool goods, also the total weight and value of the dyestuffs used by you during the same period. These data, in connection with data from other mills, will be used in ascertaining the average cost of dyestuff per yard and per pound of cloth, and the percentage that the dyestuff cost bears to the wholesale market price of the cloth.

This information, which will be held confidential, is needed in connection with proposed tariff changes now under consideration, and a prompt reply will be appreciated.

Replying promptly, the Massachusetts manufacturer said:

In reply to your letter of the 10th instant, asking for costs of coloring wool goods, which you require to enable you to ascertain the average cost of dyeing per yard and pound of cloth, and the percentage that the dyestuff bears to the market price of the cloth, we have selected one of our leading fabrics of large production, viz, blue serge, and give you herewith the actual cost of dyestuffs used per pound, no labor or any other items included, on 1,000,000 pounds of cloth, for the years 1921 and 1914, for comparison:

"1921 cost of dyestuff per pound—1,000,000 pounds of cloth, at 7½ cents per pound, \$75,000. (Approximately 1,250,000 yards, 6 cents per yard.)

"1914 cost of dyestuff per pound—1,000,000 pounds of cloth, at 1½ cents per pound, \$12,500. (Approximately 1,250,000 yards, at 1 cent per yard.)

"This shows the cost for actual dyestuffs in 1921 for our blue serge was six times pre-war cost. The selling price of the cloth referred to was \$2 per yard.

"Dye used in 1914 was imported, identical dye, used in 1921, of domestic manufacture."

Yet the Senator from New Jersey has been one of the most industrious and successful advocates of legislation which would heap such costs as these upon the dye consumers of the country in contravention of his theories of protection as applied to the soap manufacturers of New Jersey.

Mr. President, at the outset of these remarks I enumerated the elements of tariff protection which this bill gives to the American dye manufacturer. At the risk of redundancy I here repeat them:

(1) A duty of 60 per cent ad valorem, plus a specific duty of 7 cents per pound.

(2) A method of computation of the specific duty which will, in most cases, multiply this 7 cents many times.

(3) A provision that the President may increase these duties 50 per cent upon proper showing.

(4) A provision that the President may apply such rate of duty as he decides upon to the American instead of the foreign valuation.

(5) A special countervailing duty of 5 per cent upon fabrics dyed with 40 per cent of vat dyes.

#### IT IS ORGANIZED GREED.

I submit that these items of straight tariff protection are ample for an industry which is already so firmly established that it produces \$88,000,000 of the \$92,000,000 worth of dyes annually traded in in this country. I will never consent to the embargo, which is contrary to every principle of true protectionism. It is not mentioned in Hamilton's famous report on manufactures; it appears nowhere in Clay's discussion of the American system; it was undreamed of by Morrill, McKinley, Dingley, Payne, or Aldrich. It is un-American, un-Republican, and un-Democratic. It is merely an expression of organized greed.

With the senior Senator from New Jersey I insist that adequate protection shall be given to every essential American interest; but unlike him, Mr. President, I insist that this protection shall be given in the form to which we have become accustomed in a long line of our fiscal legislation, that it shall be given in the form of tariff duties, and that it shall not be given so as to create a nesting place for monopoly. I can see no reason why the dye industry shall be dealt with differently from the woolen industry, or the cotton industry, or the tin-plate industry. In 1890 no tin plate was made in this country; yet following the enactment of the McKinley tariff bill, with its tin-plate duties, we saw the American tin-plate manufacturer moving forward to supply substantially all the needs of the

American market and even to export tin plate as against foreign competition.

The dyestuffs industry is no puny infant to-day. It has enjoyed eight years of full embargo, either through war or by statute. It produces at least 90 per cent of the total domestic consumption, and its exports are already large and growing. There is no reason why the embargo should be continued for its benefit; no reason why this embarrassment should longer be laid upon the American dye consumer; and there is especially no reason, Mr. President, why this unusual gratuity should be given to an industry whose chief beneficiaries have enriched themselves through the use of capital advanced from the Federal Treasury, without interest and without proper security; whose subsidiaries, after three and a half years, continue to withhold an accounting for \$35,000,000 of public money; whose agencies have penetrated the inner precincts of the executive departments; whose propaganda has been one of extravagance, both in money and statement; and whose chief activities have been devoted not to the development of the dye industry but to besieging Congress with a demand for extraordinary privilege. The President of the United States has already directed action which has been begun, both civil and criminal, against one of the chief offenders in this whole program. Is it to be, Mr. President, that the Senate of the United States will flout the Executive and, in defiance of the positive stand already taken by the House of Representatives, and in the face of the vote had here the other day upon a proposed embargo on fish, now vote to extend this special privilege to the partners in the offense against whom the Department of Justice has not yet taken action?

To give this privilege to the dye makers of the country means to empower them to levy tribute upon every woolen mill, every cotton mill, every knitting mill in America; it means to grant them license for extortion from every tanner, every ink maker, every paint manufacturer, every printer, every hat maker and milliner, every paper mill, every lithographer in the land; it means their authorization to exact toll from every citizen; to take their tithes from every workman's blouse; to get their bit from every farmer's overalls; and to reach their hands into every washtub in the country.

I have scant sympathy with the onslaughts made upon this bill from the other side of the Chamber. They have been confined to an attack upon tariff duties alone, and they may be taken as representing only the expressions of a divergent school of economic belief. But, sir, if this dye embargo remains in the bill, color—and I intend no pun, Mr. President—color will be given to all of the accusations leveled against this measure, and we shall go before the country convicted of surrendering to an iniquitous, impudent, and avaricious monopoly.

Mr. SMOOT. Mr. President, let the Secretary report the pending amendment.

The PRESIDING OFFICER (Mr. WADSWORTH in the chair). The Secretary will state the pending amendment.

The READING CLERK. On page 286, after line 17, the committee proposes to insert a new section, as follows:

SEC. 321. That the dye and chemical control act, 1921, approved May 27, 1921, as amended, shall continue in force for one year after the date of the passage of this act.

Mr. SMOOT. As it is about luncheon time, when many Senators are out of the Chamber, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.

The roll was called, and the following Senators answered to their names:

Ashurst	Hale	McKinley	Robinson
Bursum	Harrell	McLean	Sheppard
Calder	Harris	McNary	Shields
Cameron	Heflin	Moses	Shortridge
Capper	Johnson	Nelson	Smith
Culberson	Jones, N. Mex.	New	Smoot
Cummings	Jones, Wash.	Nicholson	Spencer
Curtis	Kellogg	Norbeck	Stanley
Dial	Kendrick	Norris	Sterling
du Pont	Keyes	Oddie	Townsend
Edge	King	Overman	Trammell
Ernst	Ladd	Pepper	Underwood
Fletcher	Lenroot	Phipps	Wadsworth
France	Lodge	Pomerene	Walsh, Mont.
Frelinghuysen	McCormick	Ransdell	Willis
Glass	McCumber	Rawson	

The PRESIDING OFFICER (Mr. LADD in the chair). Sixty-three Senators having answered to their names, a quorum is present. The question is on agreeing to the committee amendment.

Mr. McCUMBER. Mr. President, if it should be found, on a most careful examination, that there was a contract made during the war that was not a fraud upon the American people, I should be glad to have the investigation made, and to have it

demonstrated that one out of the thousands and hundreds of thousands of contracts was made in good faith and was made with the idea of protecting the Government of the United States.

I have no doubt that all through the war there were contracts made with favored individuals and for their benefit. But, notwithstanding that fact, I desire to say now that I do not think the Senate of the United States is the proper tribunal to try any one of the charges made. Under the direction of the President of the United States, Colonel Miller, the Alien Property Custodian, has been directed to demand the return of the patents which were sold to the Chemical Foundation, and to forbid any further transfer of patents. I presume that is done with the idea that the Attorney General will institute the proper proceedings, and in the trial a court will determine whether or not the patents should be returned. The court will determine whether or not a fraud was perpetrated. I assume that the case may be a jury trial, but I am absolutely certain that there is not a Senator in this Chamber who could qualify as a juror; every one of us would be excluded upon the ground of prejudice. That being the case, inasmuch as we could not qualify as jurors, I am a little inclined to believe that we should leave to the court the determination of the cause which is about to be instituted.

The only question before the Senate is the question of the embargo upon dyestuffs. On that subject there was a disagreement in the committee itself. One thing we do know, that prior to 1914 a foreign nation, a foreign people, furnished practically all the dyestuffs for American manufacturers.

Another thing we do know is that after we were engaged in the war we found ourselves entirely cut off, or almost entirely cut off, from the dye products. We found, in addition, that we had to pay many times the pre-war value of our dye products. We then came to the conclusion that it was necessary to develop the dye industry in the United States. The previous administration inaugurated the idea of the use of the licensing system for the development of the dye industry. We followed along that pathway and along the previous idea of the Democratic administration, and in our emergency tariff law we provided for an embargo. How long the embargo should continue is, after all, a question to be determined by the Senate. We agreed that it should be continued for another year. We know that as a rule, notwithstanding the embargo, the prices of dyes have gradually gone down from the highest peak until now they are only about 50 per cent of the high prices of 1917.

It may be, with the protection we have given them, the dye people will be able to continue to produce; but, Mr. President, I think in some instances they will not be enabled to continue the production without the embargo for a brief length of time. That, after all, is the only question before the Senate to-day, not the trial of the Chemical Foundation but the determination whether or not we desire to continue the dye industry in the United States and whether or not the duties that we imposed are sufficient, and if not sufficient, for a space of one year whether we had better maintain the present embargo. To that subject I wish we could direct our attention rather than to be misled and drawn away from the real question by a trial of a matter which is not before the Senate.

Mr. FRELINGHUYSEN. Mr. President, I had no intention of speaking on this question until those who are opposed to the dye embargo should have been heard. I had hoped that those Senators who wished to attack the provision might have spoken first, but in view of the fact that the question involves a matter of national policy and also a question of industrial policy it might be well for me briefly to express my views on the question at this time. I have no prepared speech—prepared by some one entirely familiar with these technical questions. I have no exhibits to show the Senate of supposed corruption or fraud, attacking an American industry. I know no corruption exists. I do not intend to make any attack, individually or personally, on anyone in the industry or to question the motives of anyone.

This is not a question of policy as to whether the Chemical Foundation is a proper agency to license these patent rights and privileges which the United States Government seized. The ethics of that question I am not going to discuss. The Government of the United States undoubtedly will protect the rights of all who are involved in that controversy.

This is a question as to whether an existing provision of law shall be continued, whether the Senate shall provide for an embargo on the importation of dyes under the selective license system which Congress imposed as a protection for American industry against the domination of a foreign country when it was thought that to throw open our markets to that foreign country would be a menace to our national defense. The question is whether we shall continue that policy or not.

We have the example of England, France, and Italy, who have embargoed importations of German dyes. In one instance we have a national subsidy, as in the case of Japan, in order to establish a dye industry.

These governments have found it necessary, from the standpoint of national defense, to embargo German dyes and to encourage the building up of the dye and coal-tar industry in their own countries. The question before the Senate is whether an independent American dye industry is to be maintained or whether, after eight years of respite from German domination, we are to destroy this American industry by our action here and turn it back to German control. I stand on the American side. There are advocates, able advocates, of Germany's interests. The Senator from New Hampshire [Mr. Moses] has spoken of the propaganda of the Chemical Foundation, a propaganda which was utilized to educate the people of the country to the necessity of having an independent dye and chemical industry for national defense and the possibilities of the expansion of the organic chemical industry. But the eloquent Senator from New Hampshire failed to say anything about the insidious propaganda that has been going on throughout the country, German propaganda, designed to secure again the control of our markets.

As to the necessity of maintaining this industry in the United States as a national policy through an embargo, so that it may have time for development and expansion, and so that our chemists may make the necessary research and experimentation, I am going to call to the witness stand certain important officials and prominent men in this country to bear testimony.

The Senator from New Hampshire [Mr. Moses] stated that I had gone far beyond the protective system in asking for an embargo; that I had deserted that system. That is not true. I believe in the protective system, but I also believe in an embargo on dyes and coal-tar products, for the reason that we are protecting ourselves against the superior knowledge and experience of the German chemists, who, fostered by the German Government, through 30 years of research have prepared themselves in such way that we can not meet their competition, and no tariff duties can protect us against that. We have not yet the men of extended experience, training, or knowledge to accomplish this. Therefore, the chemists who are employed by these great American industries to develop this field must have the time for research and experimentation, and that is the reason why we need the embargo.

Now, this is not a small, trifling question with which we are dealing. It concerns a great principle, the question of national preparedness; and when we recall what the industries on the Rhine and the German chemists did to our boys at Ypres with their poison gas, the frantic efforts which we made to manufacture enough of the toxic gases to counteract this new weapon of warfare, we realize how important it is from the standpoint of national protection to make this country independent of any other nation in Europe, because at Ypres, if the Germans had followed up their gas attacks, they would have gassed their way to the channel ports.

We have built up an industry in this country. Prior to the war there was a very small amount of capital employed, only \$3,000,000, I believe. When the war broke out and we found we had none of the acids and chemicals necessary to manufacture explosives, or dyes to dye the goods we were manufacturing in our textile industries, the textile men came to the Congress and asked that protective measures be proposed, and we did place a tariff on dyes, which, according to present prices and comparative costs, is not sufficient. The textile men then asked for more support. They asked Congress to do something in order that they might keep their industrial workers employed, in order that there might be a dye industry stimulated in this country, so they could secure the colors which the war had embargoed and which previously they had obtained from Germany. So the captains of industry, the chemists, the workingmen, went forth with unparalleled energy and genius to build up a dye chemical industry in this country, the capital investment of which amounts to \$174,000,000, paying salaries and wages of \$35,000,000, manufacturing products valued at \$135,000,000, and employing 15,000 wage earners. But in addition to that, the chemical industry, oils, paints, and all related products provided for under Schedule I, to-day has a capital employed of \$2,539,000,000; wages paid, \$297,000,000; value of products, \$3,234,000,000. This great organization, established during the war, of which we are justly proud, is about to be destroyed. Therefore, Senators, the position we are in with regard to the chemical and dye industry is whether we are going to maintain it, first, from the standpoint of the right of this country to protect itself against foreign competition, and, second, and



more important, so that we may never be in the position we were in when the war broke out, absolutely crippled and unable to meet the domestic need for these products, but more particularly in order that our country may never be menaced by the danger of 1917.

I said I was going to call some witnesses to the stand to testify as to the wisdom, from the standpoint of statesmanship, of maintaining this embargo. I refer first to a message of a former President of the United States, Mr. Wilson, of May 20, 1919. From it I read, in part, as follows:

There are parts of our tariff system which need prompt attention. The experiences of the war have made it plain that in some cases too great reliance on foreign supply is dangerous, and that in determining certain parts of our tariff policy domestic considerations must be borne in mind which are political as well as economic. Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between the manufacturer of dyestuffs on the one hand and of explosives and poisonous gases on the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join in the program of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants. The German chemical industry, with which we will be brought into competition, was, and may well be again, a thoroughly knit monopoly capable of exercising a competition of a peculiarly insidious and dangerous kind.

After that, on December 2, President Wilson again called the attention of Congress to the matter in the following language:

In the matter of tariff legislation, I beg to call your attention to the statements contained in my last message urging legislation with reference to the establishment of the chemical and dyestuffs industry in America:

"Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between the manufacture of dyestuffs, on the one hand, and of explosives and poisonous gases, on the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join in the program of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants." \* \* \*

Now I call to the witness stand the senior Senator from North Carolina [Mr. SIMMONS], who, in his speech on May 11, 1921, in answer to the Senator from Utah, said:

Mr. President, I think it is the sense of this country that we have not yet reached that point in the development of the dye industry in this country where it is able adequately to meet the requirements of preparedness in case of war; so that, as I regard it and as I think it ought to be regarded, this is a mere extension of a provision necessary to the national defense until we can have reasonable time to develop that industry to the point of making it adequate to supply our demands in case of hostilities between this country and some other country in the world. It is important that we are prepared for all eventualities and that we propose to continue that state of preparedness.

The late Senator Knox, of Pennsylvania, in arguing the necessity of an embargo in the emergency tariff bill—

Mr. SIMMONS. Mr. President—

Mr. FRELINGHUYSEN. I yield to the Senator.

Mr. SIMMONS. The Senator from New Jersey knows perfectly well that, as chairman of the Finance Committee, I gave hearty support to the bill that we then passed providing greatly increased tariff rates upon dyestuffs. The Senator also knows that later after we had enacted the embargo and when it became necessary to extend it I voted for that extension. I think there was a second extension, and I voted for that. As I recall the speech from which the Senator has read was a speech which I made at the time of the second extension of the embargo. A majority of the Senators on this side of the Chamber voted against that extension, but I voted for it. It was perfectly well understood, and I so stated at the time—the Senator has read only a part of my speech—that my position was that as soon as we were able to revise the tariff and adopt a permanent tariff law there ought to be no further extension of the embargo provision with reference to dyestuffs, and that the party in power should provide for the dyestuff industry by the imposition of such rates of tariff protection as it might under the circumstances think the industry justly entitled to receive. I shall therefore, Mr. President, have no hesitation in voting against a further extension of the embargo upon dyestuffs. In doing that I shall be exactly carrying out the purpose I expressed and declared when I favored the last extension of the embargo that was made by the Congress.

Mr. FRELINGHUYSEN. Mr. President, I should like to ask the Senator a question.

Mr. SIMMONS. The Senator from New Jersey will probably remember, although I do not recall whether or not he was a member of the Finance Committee at the time we were having hearings upon the dyestuff industry, having become, as he did, a

member of the committee rather late in the year, that in the hearings before the Finance Committee I took exactly the position I have just stated, and notwithstanding the fact that I had voted for all the former propositions to increase the rates of duty and for the embargo, and had voted for the extension of the embargo, I insisted that there should be no further embargo and that the Senator's party should deal with the matter by the imposition of tariff duties.

Mr. FRELINGHUYSEN. At the time to which I have referred the Senator from North Carolina said:

I think it is the sense of the country that we have not yet reached that point in the development of the dye industry in this country where it is able adequately to meet the requirements of preparedness in case of war; so that, as I regard it and as I think it ought to be regarded, this is a mere extension of a provision necessary to the national defense.

The Senator from North Carolina made that statement on May 11, 1921. May I ask him if he believes the dye industry at the present time has reached a point of development which is sufficient to meet the necessities of this country in case of war?

Mr. SIMMONS. The Senator can find nothing in that quotation that is inconsistent with my position as I now express it. I will say to the Senator that I am not at all prepared to say even now that the dyestuff industry should not be given certain preferential consideration in connection with the fixing of tariff rates. Whether such a preference should be extended to all branches of the industry is another question and one that I think should be very thoroughly worked out. I think it was the duty of the committee in connection with revising the tariff and in imposing these dyestuff duties for protection purposes to have made a very thorough study of the dye situation, and wherever they found that any particular dye was being produced in this country in anything like adequate quantities and that any branch of the industry had attained a position where it was self-sustaining and no longer needed the assistance of the Government, or, if it needed it, not to the extent originally extended, they should have reduced the rates accordingly. On the other hand, if it found that some particular dyestuff was in a stronger position, so far as the necessity for further fostering on the part of the Government was concerned, they should have considered that in connection with the revision and should not have brought in here now in a permanent tariff bill a wholesale, all-embracing embargo provision. In other words, I think the committee in dealing with this question from a protective tariff standpoint—and that, of course, is the standpoint from which the committee were dealing with it—should have taken into consideration, in fixing the rates, the question of adequacy based on the application of their principles, and they should have entered into a very thorough study of the dyestuff industry in this country and should have regulated the tariff rates according to what appear to be the real necessities of that industry.

Mr. President, so far as my speech from which the Senator has quoted is concerned, that was made in May, 1921, something over a year ago. It was made in connection with the proposition further to extend the embargo until we might pass a permanent tariff bill and deal effectively with the dyestuffs question. When we originally passed the measure increasing the duties upon dyestuffs in order to enable the dye industry to function in a manner commensurate with the requirements of the situation that presented itself to us in 1916, we put in that bill—and we put it in there with the consent of the representatives of the dyestuffs industry—a provision limiting the time during which the rates should apply. We provided that if at the end of five years, as I now recall, the industry or any branches of the industry were able to produce 60 per cent of the American requirements, or substantially so—I do not recall the exact figures—that the duties then provided should cease.

It has been demonstrated, I think—and the able speech of the Senator from New Hampshire [Mr. MOSES] further demonstrated it, although there was sufficient demonstration without it—that with respect to most of these dyes, although probably not as to all of them, we are producing to-day in the United States fully 60 per cent of the domestic requirements.

Mr. FRELINGHUYSEN. Mr. President—

The PRESIDING OFFICER (Mr. ODDIE in the chair). Does the Senator yield?

Mr. SIMMONS. I am speaking in the Senator's time; he yielded to me.

Mr. FRELINGHUYSEN. I want to be courteous to the Senator.

Mr. SIMMONS. I want to say to the Senator very frankly that I have been a very great friend of the dyestuff industry; I have believed in it; I have fully appreciated the importance—the transcendent importance—to the United States of providing

itself with the products of that industry, and especially with its derivatives, which are so essential to the national defense and which ramify and touch to such large extent all the industries of the country.

I have felt the vital importance of it, and I have voted every time I conscientiously could to give the dyestuffs people everything that I thought in good conscience they were entitled to; and I say to the Senator now, to-day, that while I will not vote for an embargo, I think his party is justified in dealing out tariff protection to this industry if it can find that in any case the industry is not yet able to stand upon its own feet and needs further help from the Government, and if he regulates his tariff scientifically and measures it by the actual facts and necessities of the situation.

Mr. FRELINGHUYSEN. Then, Mr. President, the Senator believes that if we could not impose a rate of duty high enough to protect our markets against German invasion and the destruction of the American dye industry that further measures should be taken to protect ourselves against that invasion for national defense, or else the Senator has deserted the principle which he enunciated in May, 1921.

Mr. SIMMONS. Mr. President, the Senator may think that, but I think in view of my record upon this matter and my statements made heretofore and my votes heretofore and my statement to-day, the Senator from New Jersey is the only Senator in this Chamber who will think that I have deserted my position or that I am in any way inconsistent. He is welcome to whatever comfort he finds in the expression of that view. I am satisfied now that a great many of these dyes can be made as cheaply here as elsewhere. I am satisfied that with respect to many of these dyes our industry is in a position where it is absolutely self-sustaining as against Germany or anybody else. As to the dye industry or any other industry, so far as that is concerned, Mr. President, which is in that position, I can not consent to giving them the high rates that are proposed; certainly I shall not consent to giving them an embargo; but if the Senator is able to show that there is any particular dye industry in this country that is still struggling under difficulties, that is not able to protect itself with a reasonable tariff duty such as he proposes to place upon that industry, then the Senator may deal with that in any way he pleases. That is an exception; but an embargo, such as we adopted during the war, when we had practically no dyestuff industry in America, is all-embracing and covers everything, whether it is able to stand on its own feet or whether it is still in swaddling clothes and unable to protect itself. I shall oppose it to the end.

Mr. FRELINGHUYSEN. Notwithstanding the Senator's lengthy statement, the situation resolves itself to this: The Senator from North Carolina was willing to support an embargo under a Democratic administration, but he is not willing to support it under a Republican administration.

Mr. SIMMONS. Why, Mr. President—

Mr. FRELINGHUYSEN. Mr. President, I refuse to yield further.

Mr. SIMMONS. That is an absurd statement, in view of the fact—

Mr. FRELINGHUYSEN. Mr. President, I refuse to yield.

Mr. SIMMONS. Mr. President, I ought to be permitted to answer that.

Mr. FRELINGHUYSEN. All right.

Mr. SIMMONS. I say the Senator's statement is absurd, in view of the fact that the last time I voted for the extension the Republican Party was in complete control of both Houses of Congress and had its own President in the White House. The Senator ought to be more careful of his facts before making a statement of that nature.

Mr. FRELINGHUYSEN. But the Senator has stated that he voted for it simply until we could enact a permanent tariff law. Now he deserts the principle, and yet there is no evidence that this industry has been developed as he desired so that our national defense could be secure. He has no evidence of that, and yet that was the reason for his voting for it before. He deserts the principle of national defense.

Mr. SIMMONS. Mr. President, the Senator did not hear the able speech of his colleague the Senator from New Hampshire [Mr. Moses] this morning, or he would not make that statement.

Mr. FRELINGHUYSEN. Mr. President, I heard that speech and I reiterate my statement. A great deal has been said about the rates of duty being sufficient to protect the American dye industry against Germany. The Tariff Commission, after an exhaustive study of the entire dyestuffs and coal-tar chemical industry, states as follows, on page 24 of a report on "Dyes and related coal-tar chemicals":

What rate of duty would protect all branches that now show any growth and will guarantee the development of those that are missing? To this the Tariff Commission is bound to answer that this end apparently can not be accomplished by any rate of duty familiar in American tariff legislation. This conclusion is inevitable when a comparison is made of what is known of domestic costs with the pre-war prices of German dyes, or even with the very recent prices at which those dyes were offered in exchange for food.

Further on this report states:

Again, deceptive advertising and misleading propaganda can be protracted by many shrewd devices long enough to demoralize a market in spite of any law that has thus far been enacted.

And further:

A law that would be effective against German dumping of dyestuffs will be difficult to draw, for the usual test of dumping can hardly be applied. A comparison of their export with their domestic prices will have little meaning, because both are fixed by a monopoly and may be adjusted at will, and because private contract prices may easily be made to vary widely from published quotations.

In order to show the efforts of the German importers and their agents during the consideration by the committee of this question I want to refer to a bill which was submitted by certain German importers, who prepared it and sent it to a United States Senator. This bill was prepared by the lawyer of a prominent textile industry in this country and another man representing one of the German importers. It was a new method of imposing duties by identifying according to Schultz numbers; but in the bill there was what was afterwards found to be a joker, a provision that dyes invoiced by the manufacturer or his agents in the country should have a certain low rate of duty, but a higher rate of 90 per cent was imposed on all dyes invoiced by any person other than the manufacturer or his agent. When the Tariff Commission made their report this is what they said:

#### PREFERENTIAL RATES ACCORDING TO WHO IS THE SHIPPER.

The provision in paragraph 26 and paragraph 27 which specifies a certain rate of duty on dyes invoiced by the manufacturer or his agents in the country of origin, and a higher rate (90 per cent) on all dyes invoiced by any person other than the manufacturer or his agent, is a type of preferential rate legislation which would result in a complete domination and control of all imported dyes by agents of the foreign manufacturer. This also violates the policy of the United States in regard to preferential tariff treatment. Instead of granting preferential duties to any one country, it grants preferential treatment to a group of exporters or individuals.

That outrageous proposition was actually proposed by these German importers and sent to the Tariff Commission, who fortunately discovered this joker in its provisions, and reported to the committee against it, outlining the menace to the American industry if that system should be imposed.

Mr. President, I stated that there was a great deal of activity among the German importers in this country. The two great firms that imported dyes were the Höchst Co., represented by Herman Metz, and the Badische Anilin Dye & Soda Fabrik Co., represented by Kuttroff, Pickardt & Co. Their agents have been in this country and in this Capitol assiduously making this fight against the embargo. Germany wants to secure the American market for her dyes. She will go to any extent to accomplish this purpose. I think Germany will surrender her commerce in fabrics, metals, and toys if she can only control again this dye industry.

Chemicals formed a large part of the materials used in the war. I think the late Senator Knox spoke of the large German dumps that were discovered after the armistice, where over 50 per cent of the shells contained poison gases. This war was largely fought with chemicals. The next war will be fought entirely with chemicals—in the air with chemical bombs; from the land with high-explosive projectiles.

The Senator from New Hampshire [Mr. Moses] spoke of the fact that we had engaged in a treaty prohibiting chemical warfare. It is true that we have engaged in a treaty prohibiting chemical warfare, but that treaty is not made with Germany; and while to-day we might observe its conditions, if to-morrow we were attacked by Germany, with her tremendous resources in these great chemical industries on the Rhine that gassed our boys before—300,000 of them were affected by that gas—if those industries to-morrow were turned from peace pursuits to war activities they could supply an army at once with the necessary chemicals and explosives with which to attack, notwithstanding the fact that we have entered into an agreement not to use chemicals and poison gas with other countries.

As a question of national policy I quoted President Wilson's indorsement of the dye embargo; I spoke of Senator Knox's great speech when the dye embargo was placed in the emergency tariff; I have here President Harding's indorsement of it, dated August 10, 1921; that of Secretary Weeks, dated July 26, 1921; Secretary Denby, dated July 27, 1921; General Pershing, dated July 15, 1921; General Fries, of the Chemical Warfare Service;



and so I might go on, showing the absolute necessity from the standpoint of national defense of maintaining independently this chemical industry in this country.

The question is, Shall we continue this policy of an embargo? For what purpose? Have they not had time enough in the two years to establish their facilities, to understand the processes and secrets of these German patents, to supply the American market and the American manufacturer with the necessary dyes? No. Our national policy has been a fast-and-loose policy for the last two years, a short three-months embargo, and then an emergency embargo, and the new industry had no means of knowing whether this was a permanent policy or not.

The time necessary for research and experimentation has been too short. To-day there are building great extensions to these dye plants. Chemists are making researches. I understand a great college is willing to erect a laboratory for further research in dye and chemical science. This industry is all in a state of initial development, but if, as the Tariff Commission says, we can not impose a duty high enough to properly protect, it is necessary that we go further and close the doors to those dyes which can be manufactured here, and which can be and will be imported from abroad, opening the door only wide enough to admit those dyes which we have not been able to manufacture as yet, and closing it gradually as they develop, through research, the knowledge of making these dyes which at the present time are not made here.

I say this policy is established. It is a question of protecting a great industry created during the war; but it is more than that; it is a question of the national policy of preparedness and of defense, and no one dare desert the safety of his country, with the knowledge that he has of the history of the recent war. During the war no one would have dared make the speeches which have been made in this body during the last three months, encouraging Germany's commerce and production in the dye industry, practically defending Germany's interests. There would have been a united protest in this body.

But we have forgotten. Time blots from our memories the heinous offense of Germany when she launched her first gas attack on the helpless soldiers of Canada and France, and there was no means known by those armies to counteract it until we invented the gas mask to protect our soldiers from the suffering caused by that heinous method of warfare.

The secret gases were known to the chemists of those industries on the Rhine. It was not known to our chemists here, because with lack of vision and lack of statesmanship we had always yielded to the lobby of the German interests, and had failed to protect our dye industry and establish it firmly on an independent basis in this country. We had no industry and practically had to build it during the war.

Mr. McCUMBER. The Senator has just intimated that we invented the gas mask. In fact, we did not even do that. It was invented by foreign chemists rather than American chemists.

Mr. FRELINGHUYSEN. If I said "we," I was referring more generally to the Allies and those associated with us.

Mr. McCUMBER. I simply wanted to go further and state, in justification of what the Senator is saying, that the chemical industry was not sufficiently established in this country so that we could even invent a defense against the gas attack.

Mr. FRELINGHUYSEN. I thank the Senator very much. I know that we made large quantities of gas masks in this country, but I did not know where the gas mask was invented. I simply wished to show how helpless we were, our ignorance

of this method of warfare, and how lacking the whole world, except Germany, was in knowledge of the technical science necessary to make this gas.

I desire to introduce, at this point, a partial list of 12 poison gases manufactured from coal tar, and the output, naming the factories, of finished poison gases for the "I. G."—that is, the Interessen Gemeinschaft of Germany—a detailed statement that has been prepared, showing the gases that were manufactured during the war in certain dye plants, to counter the statement which has been made that they were not made in dye factories.

There being no objection, the matter was ordered to be inserted in the RECORD, as follows:

#### A PARTIAL LIST OF 12 POISON GASES MANUFACTURED FROM COAL TAR.

Chlorpicrin (United States capacity, 1,500 tons per month), brombenzylcyanid (one of the four gases produced on large scale in the United States), di-phenyl-chlor-arsine, phenyl-di-chlor-arsine, xylyl bromide, benzyl bromide, phenyl carbylamine chloride, benzoyl bromide, chloracetophenone, bromacetophenone, benzyl chloride, benzoyl chloride.

There are dozens or maybe hundreds of coal-tar chemicals already worked out suitable for toxic and poison gases, and there are possibilities for thousands of others.

#### A PARTIAL LIST OF COAL-TAR EXPLOSIVES.

Picric acid, tri-nitro-toluol (T. N. T.), tetra-nitro-methyl-anilin, trinitroxytol.

A number of other coal-tar explosives have been manufactured and the future will bring forth a great many more, but the above named are the principal ones used during the last war.

Chief organic chemicals used as war gases by Germany (all these were made in the plants of the Interessen Gemeinschaft).

#### OUTPUT OF FINISHED POISON GASES.

(From various works.)

Gases.	Factory.	Monthly output in metric tons.		Total production in metric tons (if known).	Manufacture began.
		Average.	Maximum.		
Chlorine.....	Leverkusen.....	600	.....	28,000	Prior to war.
	Höchst.....	240	.....	.....	Do.
	Ludwigshafen.....	860	1,261	38,600	Do.
Phosgene.....	Leverkusen.....	30	30	1,450	Do.
	Ludwigshafen.....	288	621	10,682	Do.
Diphosgene.....	Leverkusen.....	300	.....	5,000-10,000	June, 1915.
	Höchst.....	139	265	3,616	September, 1915.
Chlorpicrin.....	Leverkusen.....	200	.....	.....	July, 1915.
	Höchst.....	45	101	1,127	August, 1916.
Xylyl bromide.....	Leverkusen.....	60	.....	500	March, 1915.
Bromacetone.....	do.....	20	.....	.....	Early in 1916.
Bromacetone.....	Höchst.....	19	45	685	April, 1915.
Phenyl carbylamine chloride.	Höchst.....	65	124	721	March, 1917.
B. dichlorethylsulphide (mustard gas).	Leverkusen and one other factory.	.....	300	14,500	Before July, 1917.
Diphenylchlorarsine	Höchst.....	150	300	3,000	May, 1917.
Diphenylcyanarsine.	A. G. F. A.....	.....	.....	14,400	.....
Ethylchlorarsine.	Höchst.....	78	50	1,092	August, 1917.
Dichloromethylether	do.....	26	51	233	September, 1917.
Dibrommethylether	do.....	7	29	69	April, 1917.

<sup>1</sup> Estimated from capacity of plant. Probably the same quantity was produced at some other factory as the output of thiodiglycol would suffice for this.

<sup>2</sup> Estimated from Leverkusen output of diphenylarsinic acid.

<sup>3</sup> Diphenylchlorarsine was first produced in May, 1917, and from February, 1918, onward it was converted to diphenylcyanarsine.

#### High explosives and intermediates, in metric tons per week.

(Quantities of intermediates are shown only where not converted to finished explosives in the producing works.)

Factory.	Amm. nitrate.	Dinitrobenzene.	Dinitrotoluene.	Trinitrotoluene.	Mononitronaphthalene.	Dinitronaphthalene.	Dinitrochlorbenzene.	Dinitrophenol.	Picric acid.	Trinitroanisole.	Dinitrodiphenylamine.	Hexanitrodiphenylamine.
Leverkusen.....	.....	250	.....	250	.....	150	40	.....	.....	13	.....	.....
Dormagen.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Urdingen.....	.....	60	.....	.....	Small	.....	.....	.....	600	.....	.....	.....
Höchst.....	500	140	.....	200	.....	.....	.....	.....	.....	30	.....	113
Ludwigshafen.....	.....	25	50	.....	.....	15	200	35	.....	.....	125	.....
Oppau.....	200	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Merseburg.....	(?)	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Wiesdorf.....	.....	.....	.....	120	.....	.....	.....	.....	.....	.....	.....	.....
Schlebusch.....	100	.....	.....	150	.....	.....	.....	.....	.....	.....	.....	.....

<sup>1</sup> For 3 months only.

<sup>2</sup> For 1 year.

Other intermediates: Ludwigshafen, Sodium benzene sulphonate, 100 tons per week.  
Other explosives: Schlebusch, Hexanitrodiphenyl sulphide, 15 tons per week.

Output of intermediate products for poison-gas manufacture.

Finished gas.	Intermediate products.	Total output (metric tons).	Place of production.	Destination of intermediate products.
Phenyl carbylamine dichloride.	Phenyl (mustard oil).	(1)	Kalle.....	Höchst.
BB-dichlorethyl sulphide (mustard gas).	Thiodiglycol..	7,026	Ludwigshafen	Leverkuse n and one other factory.
Diphenylchlorarsine....	{ Phenylarsinic acid. Diphenyl arsinic acid.	{ 1,600 1,200	{ Ludwigshafen Kalle.	{ Unknown. <sup>3</sup> Do. <sup>2</sup>
Ethylchlorarsine.....	Ethyl arsenious oxide.	840	Ludwigshafen	Probably A. G. F. A. Berlin. Höchst.

<sup>1</sup> Not obtained.<sup>2</sup> Probably Leverkusen.<sup>3</sup> Estimated from capacity of plant.

NOTE.—In addition Höchst produced 3,000 tons of diphenyl chlor and cyanarsines from own intermediates.

Mr. FRELINGHUYSEN. I also ask leave to insert, at the end of my remarks, a statement of the extent of the chemical industry in this country as developed before, during, and since the war, and a statement of the dye industry as developed during the war. (See appendix.)

I want to read, for the benefit of the Senate, a part of the speech the late Senator Knox delivered during the debate on the emergency tariff bill, on the necessity for an embargo. He followed the Senator from New Hampshire [Mr. MOSES] in his previous speech on this subject, and said:

I have listened with great attention, some amusement, and some astonishment to the combination of logic, eloquence, doggerel, and prejudice which have been emitted by my distinguished friend the Senator from New Hampshire [Mr. MOSES]. It is not my purpose to approach the consideration of the amendment to this bill for which I am responsible from the standpoint of a profit and loss account of a Dolly Varden calico mill in New England, but from the standpoint of the roster of the dead who have died in this Great War, from the standpoint of the list of casualties, and I make my appeal to the men who have followed the history of this war and learned the lessons it has taught. It will require but a few moments, Mr. President, to justify this amendment, explain its purpose, and satisfy thoughtful men of its wisdom.

When the Great War with Germany broke out, 99 per cent, perhaps, of all the projectiles that were flung against the allied forces were filled with high explosives, high explosives which France and Great Britain could not and did not produce, but which eventually were produced by the United States. In the last great retreat an examination of the huge ammunition dumps of the German Army showed that over 50 per cent of their projectiles, instead of being charged with high explosives which merely exploded the projectile and scattered its fragments, were filled with poisonous gases which mingled in the air and asphyxiated and destroyed thousands, even though not within their immediate range.

What does that lesson teach? It teaches that from practically a negligible quantity of projectiles charged with poisonous gases during the war there developed fully 50 per cent so charged, and if the war had continued two years longer and America had not made the progress which enabled us to meet these people upon common ground the story of the war would have been different.

Mr. President, to-day perhaps the noblest call to man is the dissipation of the possibility of future war, and perhaps one of the strongest arguments that can be put up to governments is that to avoid war we must disarm. But what profits it, Mr. President, if we shall destroy our battleships, if we shall destroy our arsenals, if we shall cease to cast guns and swords and bayonets, if we leave the world's productive capacity of organic chemistry in the hands of Germany, which enables her to turn out instantly, with the flexibility of her plants, the most deadly weapon that human ingenuity has yet devised? You may sink every German battleship to the most remote cave of the sea, you may reduce to dust her proudest fortresses, you may blow the great Krupp plant to hades, and you may cast the big Berthas into plowshares and pruning hooks, but if you leave the dye industry in the possession of Germany she has the world by the throat.

There are 55 chemical plants in my State, and, I think, over 200 throughout the country. Those chemical plants, with the exception of one or two, have no relation to the great Du Pont interests. The dye industry is only a part of their great production, a small part, and I think the value of their production as related to the entire production of dyes in this country is some 15 per cent. I have no interest whatsoever in that factory or its future prosperity, although it is within my State. I am interested in the general proposition that these great plants, and the facilities of these great plants, should be maintained for national protection.

Two days ago I crossed the Delaware River from Wilmington to Penns Grove. There was a great town which had been created during the war, where two large powder plants had been established. They had schools, electric lights, splendid water facilities, fine homes. Half of those homes were closed; the other half were occupied by men who formerly worked in those powder plants but are now working in a dye industry located there.

Six years ago I stood before 5,000 men working in those plants. They were making powder for our allies and for ourselves to fight the great war of civilization against Germany, and I said to those men that I hoped the time would come when that great war industry could be turned to commercial uses and peaceful pursuits. One man in the audience said, "What will you do if you get to the Senate to protect us?" I said, "There is only one availability for a plant of this character, and that is to manufacture dyes. I will do everything in my power to see that a dye industry is established in this country and properly protected."

I never expected we would have the experience we had during the war; I have learned a great deal by it; but I would rather stand here to-day with an embargo, obnoxious as it seems to be to the tastes of some men in this body, than desert those men working in that factory who worked so patriotically for this country during the war. If the proper protection is given that great plant, it will not be long, in my opinion, before that entire city will be restored and rehabilitated.

But I said the influences were here. Already it is expected by these German interests that this dye embargo will be defeated.

Mr. WILLIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from Ohio?

Mr. FRELINGHUYSEN. I yield.

Mr. WILLIS. The Senator knows that I am a profound believer in the protective policy. He knows that I am interested in the maintenance in this country of the dye industry, because I believe it to be a key industry, vitally important. What I should like to hear the Senator explain is why an embargo, the thing which the Senator has just said is something obnoxious, is necessary in this particular industry when we rely upon the general idea of a protective tariff in other industries?

Mr. FRELINGHUYSEN. That is a very fair question. The Senator was not here when I read from the Tariff Commission's report an official statement to the effect that no rate could be imposed which would protect us against Germany's connection. I shall be glad to read it again to the Senator.

Mr. WILLIS. But what I can not understand is why there can not be a rate imposed which will afford protection.

Mr. FRELINGHUYSEN. In the first place, the cost of production in Germany is so low, compared with the cost of production here, that we can not impose a rate which will be high enough to properly protect us against that differential. Second, Germany's method heretofore, through private contracts and through substitution of markets, has been such that she would evade any protective law that we can lay down. Furthermore, Germany will ship her goods in here for nothing in order to regain the market and get the trade back again. To show that she is expecting to secure this business again, I wish to read, for the information of the Senate, a letter from Kuttroff, Pickhardt & Co., of 128 Duane Street, New York, representing the great Badische Anilin Co. It is as follows:

NEW YORK, July 1, 1922.

DEAR SIRS: We beg to offer you our services for the importation of coal-tar dyes, including indanthrene and other vat dyes, manufactured by the Badische Anilin & Soda-Fabrik and by other makers. We have the assurance of the manufacturers that they will give prompt attention to our orders. The prices will be as low as can be made and, we have every reason to believe, will be found satisfactory by you.

It is to be hoped that the embargo and license provisions which were eliminated from the tariff bill by the House of Representatives will not be put back. It is also to be hoped that these same provisions now in force under the terms of the emergency tariff bill will be repealed. The removal of these restrictions on importations of coal-tar dyes would enable us to carry in stock all the dyes needed and to fill your orders promptly at current prices. It would permit us to bring in samples of new products as soon as they are put on the market as well as to provide quantities sufficient for your practical trials. Thus you would be in a position to adopt improvements as quickly as the foreign-dye consumer.

Soliciting your favors, we remain,

Yours truly,

KUTTROFF, PICKHARDT & Co. (INC.).

Mr. President, the industries of my State are flooded with similar circulars.

Mr. BURSUM. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Jersey yield to the Senator from New Mexico?

Mr. FRELINGHUYSEN. I yield.

Mr. BURSUM. I wish to ask the Senator from New Jersey if it is not true that Germany, France, England, and Italy all have embargoes which prohibit the importation of dyes into those countries?

Mr. FRELINGHUYSEN. Yes. Even Germany embargoes against our dyes.



Mr. BURSUM. Japan has guaranteed an 8 per cent return to her dye manufacturers. Connected with the policy of creating an embargo on behalf of those countries is a policy in behalf of the national defense of those countries in case of war. The natural policy for Germany to pursue would be to control the dye industry of the world. If she could control the dye industry of the world, it would place her in a superior position so far as having a controversy with any other country is concerned.

The primary reason for the embargo which is sought for this country is to guarantee an adequate national defense in case of trouble. Notwithstanding the fact that we all hope there will be no further war, and that agreements have been entered into between many of the countries to maintain peace, the fact that countries like Germany, England, Italy, Japan, and France have created embargoes in order to maintain the industry in those respective countries, thus giving them the tools with which to create war, indicates that it would be unsafe for this country, as long as the embargoes are maintained by foreign countries, to leave the bars down for importations and thus destroy our industry here.

Mr. FRELINGHUYSEN. The Senator is absolutely correct in his statement. If Germany regains her domination of the world's dye and chemical markets, and in my opinion she is all-powerful, every nation which does not protect itself by an independent dye industry would be at her mercy.

Mr. President, before closing I want to read a letter which was sent to me by a chemist in my State who built a small factory during the war. He manufactured only one color and put all the money he had saved into the one little plant. He made a little money. He expanded that plant. To-day all the money he has is invested in that plant and it is closed. He is not manufacturing because he is uncertain as to the policy of the Government and as to what permanent policy it is going to establish in regard to the independent dye industry. He writes me this letter, which quotes from a friend of his who has just returned from Germany, as follows:

"The wage agreement of May 26, mentioned at the close of Mr. Payne's report, fixes an average rate of 23 marks per hour, or 4,585 marks per month, exclusive of family allowances, pay for overtime, etc. Although this wage level is extremely low when expressed in gold, yet the German laborer is more favorably situated than the figures seem to indicate, due to the higher purchasing power of the paper mark within Germany and to Government subsidies, chief among which are the bread subsidy and the rent restrictions act."

The figures as to the subsidies, etc., are interesting and have a bearing on the question of protection for the American chemical industry, but of surpassing interest is the situation in a nutshell as given in the extract above.

Twenty-three marks per hour amounts to approximately 8 cents in American gold. The American importer uses identically the same yellow metal that we manufacturers use as standard of value. He buys an hour's chemical labor in Germany for 8 cents. We buy an hour's American labor at an average of just about six times that amount. Let us suppose that he has a 60 per cent duty to pay and it costs him 13 cents against our 48 cents. It is the same old yellow metal in both cases. We have to have our profits on top of the cost; so does he. Question: Where would we get off even with 100 or 200 per cent protective duty?

Mr. President, a great deal has been said about the Du Pont concern. The statement of the Senator from New Hampshire [Mr. MOSES] as to corruption and fraud may or may not be true. I do not know his object in attacking that corporation. It is an American corporation doing business in America and employing American labor. The Du Pont concern is only one of over 200 concerns engaged in the manufacture of coal-tar products. If that concern has been guilty of any fraud or of any dishonesty of purpose there are adequate laws to punish it.

But their services during the war appealed to many as patriotic and as efficient. I think a French officer stated in one of the hearings before the Committee on Military Affairs that if it had not been for the genius and ability of this great powder-making concern, with its century of history, the war could not have been won. I like to think of the good things about men and about business. But because they make chemicals and dyes and desire protection the same as their competitors, stating that the only assurance on which they can go forward is the pledge of the Government that the embargo will be continued, I do not believe that is criminal on their part. I have a statement of some of the activities of the Du Pont Co. during the war, prepared by the Ordnance Department. I ask that it be inserted in the RECORD as an appendix to my remarks. It is quite lengthy and I shall not take the time to read it.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Appendix A.)

Mr. FRELINGHUYSEN. Mr. President, to support my contention regarding German wages and the differential between German and American wages I wish to insert in the RECORD, as an appendix to my remarks, the report of the United States Department of Commerce, a special report on labor costs in the German chemical industry.

The PRESIDING OFFICER. Without objection, permission is granted.

(See Appendix B.)

Mr. FRELINGHUYSEN. Mr. President, my fight for a dye embargo and my insistence upon its continuance is based upon two motives—first, to protect and continue the industry in my State; and, secondly, because I believe it is absolutely essential for the national defense, as I read the history of the war and what was accomplished by Germany by reason of her advanced position in chemical manufacture. This is a great question for the Senate to decide at this time. The only harm that will come from a dye embargo is to the German industries—the German cartel that furnished Germany with all her chemicals and ammunition during the war. If we make a mistake now and lift this embargo, it may destroy, and probably will destroy, this great industry, which was created during the war by the men of energy and genius who had the courage and the ability quickly to provide our armies with the necessary materials with which to meet the onslaught of Germany.

There is just one question involved. Inasmuch as the former President of the United States, Mr. Wilson, recommended the embargo, since President Harding has recommended its continuance, and every Cabinet officer and military officer who is familiar with the situation and every man who has studied it makes similar recommendations, the question which we have to decide as to its continuance is whether we are going to stand for America first or for "Deutschland uber Alles."

#### APPENDIX A.

##### MEMORANDUM ON THE WORK OF THE DU PONT CO. FOR THE ORDNANCE DEPARTMENT.

1. During the early years of the World War—1914, 1915, and 1916—when the Du Pont Co. was furnishing smokeless powder to foreign Governments at prices ranging from \$1 to 80 cents per pound, it continued to fill all powder requirements of the United States Army and Navy, aggregating probably in excess of 10,000,000 pounds at prices ranging from 50 to 53 cents per pound.

2. The initial price of \$1 per pound to foreign governments can not be considered as particularly excessive when the enormous expansion of plant capacities necessary is considered, together with increased costs of labor and raw materials. Furthermore, most foreign contracts were for powder for small arms and field guns, and pre-war prices to the trade for such granulations had not been much lower—about 80 cents per pound.

3. In April, 1917, the Du Pont Co. announced its readiness to manufacture all of the estimated joint requirement of the United States Army and Navy for the year 1917 of 115,000,000 pounds of smokeless powder at 47½ cents for cannon powders and 62 cents for small-arms powder. This price was lower than that of any other manufacturer, and 5½ cents less than the maximum price of 53 cents per pound fixed by Congress in 1913 to be paid to manufacturers of cannon powder for the United States Government. In its operation of the Old Hickory Plant the Du Pont Co. produced smokeless powder for as little as 38 cents per pound.

4. At the beginning of the war, in 1914, the total capacity of the three smokeless-powder plants of the Du Pont Co. was only 1,000,000 pounds of cannon and rifle powder per month. In April, 1917, the combined capacity of these three plants was 33,000,000 pounds per month, and in the last month before the armistice the total capacity of these plants, combined with that of the Government plant at Old Hickory, built and operating by the Du Pont Co., was 52,000,000 pounds per month.

5. The Old Hickory Plant, at Nashville, Tenn., was built by the Du Pont Engineering Co. to manufacture 900,000 pounds per day. Its cost was estimated at \$90,000,000.

According to contract requirements it was to be in operation within eight months. Powder was actually being produced within five months after construction was started and nearly 20,000,000 pounds were manufactured prior to November 11, 1918, or about 8,000,000 pounds in excess of contract requirements, while construction was 96 days ahead of schedule time, the plant being 93 per cent completed. This plant was the largest smokeless-powder plant ever constructed in the world. It covered an area of 4,706 acres, including a village for housing nearly 30,000 people, and was complete in all respects with units for purification of cotton and manufacture of nitric acid, sulphuric acid, diphenylamine, and other materials used in the manufacture of powder.

6. Prior to the war the high explosives manufacturing capacity of the Du Pont Co. was about 600,000 pounds of crude T. N. T. and 60,000 pounds of mercury fulminate per month. No capacity existed for the manufacture of tetryl, picric acid, ammonium picrate, and other high explosives. By November, 1918, the capacity of the Du Pont T. N. T. plant had been increased to 6,000,000 pounds per month and construction on an additional plant started. A monthly capacity for 150,000 pounds of tetryl and 250,000 pounds of ammonium picrate, together with 700,000 pounds of ammonal and 65,000 pounds of T. N. T. blocks for the Engineer Corps had been reached.

7. Prior to the war T. N. T. sold for about 29 cents per pound, with toluene at about 19 cents per gallon. In 1915 and 1916 the price of toluene rose rapidly to as high as \$7 per gallon, and T. N. T. was sold at prices from \$1 to \$1.50 per pound. The Du Pont price on foreign contracts did not exceed \$1, while its price to the United States Army varied from 64 cents to as low as 35 cents. New contracts were being made shortly before the armistice on a base price of 26½ cents per pound.

8. The technical organization of the Du Pont Co. was enlarged to meet all requirements. In addition to the enlargements of its existing plants mentioned above, it constructed the Old Hickory smokeless powder plant, the gun cotton plant at Hopewell, Va., which actually produced over 1,000,000,000 pounds of gun cotton for the Allies, the large shell and booster loading plant at Penniman, Va., loading plants for smokeless powder, airplane bombs, etc.

9. The research and chemical organizations of the Du Pont Co. co-operated to the fullest extent with the Ordnance Department and under

took to the fullest extent to aid in solving any problems which presented themselves.

10. Since the armistice the Ordnance Department has continued its efforts to develop improved smokeless powder and high explosives. The Du Pont Co. agreed to undertake the development of flashless, non-hygroscopic smokeless powder for both cannon and small arms. This development work has been conducted at the company's own expense, the Ordnance Department conducting firing tests of all samples submitted. The expense to which the Du Pont Co. has gone in this work is indicated by the fact that in the course of the past year a total of about 375 experimental samples of various compositions and granulations have been made, varying from a few pounds to 100 pounds in weight—mostly about 10 to 20 pounds each. Ninety-six of these have been given firing tests at the Aberdeen Proving Ground, and this development work is still in progress.

11. As a result of this work an improved flashless, nonhygroscopic, smokeless powder for the 75-millimeter gun has been developed and an order for an experimental lot of 50,000 pounds given the Du Pont Co. at the remarkably low price, considering the great cost of the development work, of 60½ cents per pound. No assurances whatever have been given the Du Pont Co. as to the quantity of this powder to be ordered if it is finally approved for use.

12. As a further result of the same line of development the Du Pont Co. has developed improved powders for both .30 caliber and .50 caliber armor-piercing ammunition, which are practically flashless, nonhygroscopic and smokeless and give improved ballistic results. Orders have been placed with them for 100,000 pounds of the .30 caliber powder and 10,000 pounds of the .50 caliber powder at 65½ cents per pound and 87½ cents per pound, respectively.

13. The prices being paid to the Du Pont Co. on the contracts for improved powders mentioned above, are considerably lower than the bids submitted by Picatinny for supplying powders developed at that arsenal to meet the same requirements.

#### SUPPORTING DATA IN CONNECTION WITH MEMORANDUM ON THE WORK OF THE DU PONT CO. FOR THE ORDNANCE DEPARTMENT.

PARAGRAPH 1. In 1913 Congress fixed the maximum price of 53 cents per pound to be paid to manufacturers of cannon powder for the United States Government. The figure for the quantity supplied to the United States during 1914, 1915, and 1916 is obtained from reports of the Du Pont Co.

PAR. 2. The increase in costs of labor and materials is a matter of common knowledge. The figure for the pre-war price of powder furnished to the trade is taken from the Du Pont report.

PAR. 3. It is apparent from the following figures that all of the powder supplied to the Ordnance Department by the Du Pont Co. in 1917 and 1918 was not furnished at the fixed price of 47½ cents, but it will be noted that the price on all of the contracts listed is below 53 cents.

#### Prices on Du Pont contracts for smokeless powder.

Contract number.	Amount.	Price.	Deliveries.
GE 151.....	\$10,382,500	\$0.47½	December, 1917.
	18,117,500	.49½	September, 1918.
GE 152.....	13,500,000	.47½	August, 1917-May, 1918.
GE 167.....	4,000,000	.52	June-October, 1918.
G 616-311 E.....	14,000,000	.49½	November, 1917-February, 1918.
G 628-312 E.....	40,500,000	.49½	April-December, 1918.
G 674-314 E.....	100,440,000	.49½	June-December, 1918.
P 14585-1389 E.....	15,350,000	.49½	November, 1918.
P 15386-1441 E.....	122,100,000	.43½	January, 1919.
	54,000,000	.4505	
	18,000,000	.46½	June, 1919.

The above are the largest of the Du Pont contracts for cannon powder.

Paragraph 4: The actual production of smokeless powder at Du Pont plants in October, 1919, is given in Ordnance Department records as follows:

Plant.	Cannon powder.	Small arms powder.	Total.
Carneys Point.....	21,041,902	3,184,685	24,226,587
Farlin.....	6,097,995		6,097,995
Haskell.....		(?)	
Old Hickory.....	9,474,794		9,474,794
Total.....	36,614,781	3,184,685	39,799,466

<sup>1</sup> Figures not available.

<sup>2</sup> Not started.

It is believed that the figure given for the total capacity of 52,000,000 pounds is not excessive.

Paragraph 5: Old Hickory plant: See History of Propellants Section, Explosives, Chemical, and Loading Division, December 15, 1918. Part 3, pages 10-12; also "America's Munitions," 1917-18, By Benedict Crowell.

Original expenditure of \$75,000,000 increased by \$15,000,000.

Month.	Contract requirements.	Actual production.
	Pounds.	Pounds.
July.....		1,297,291
August.....	1,300,000	2,873,754
September.....	3,900,000	6,180,042
October.....	6,500,000	9,474,794
Total.....	11,700,000	19,795,880

Paragraph 6: The figures given in this paragraph for T. N. T. capacities are verified in the History of the Explosives Section, Explosives, Chemical, and Loading Division, part 2, volume 6, while the figures for the tetryl capacity of 150,000 pounds per month is found in part 2, volume 7, of the same history.

Paragraph 7: The following figures have been obtained regarding the principal Du Pont contracts for T. N. T.:

#### Prices on Du Pont contracts for T. N. T.

Contract No.	Amount.	Price.
GE 154.....	\$29,232,000	\$0.50
G 1123-404E.....	5,250,000	.35
G 1251-415E.....	10,000,000	.64
P 3603-769E.....	10,000,000	.50
P 15092-1423E.....	28,800,000	.36

#### ASSOCIATION OF THE DU PONT CO. WITH THE UNITED STATES GOVERNMENT.

The Du Pont Co. was organized early in the nineteenth century for the purpose of providing the United States Government with a satisfactory war powder, and has continued to supply the same since its organization, approximately in 1802. During that period they have produced a great many millions of pounds of military propellants and explosives, to such an extent that the Government has always looked on the Du Pont Co. as a dependable branch of the supply service of the United States Government. In this period of time great progress has been made in improving both propellants and high explosives, and the Government has always been able to depend on the Du Pont Co. in keeping up with the progress of the world, giving the benefits of all improvements to the United States Government and supplying material at a fair price. The greatest improvements have been made since the advent of smokeless powder, and when the Du Pont Co. undertook to manufacture a satisfactory powder for the United States Government a great deal of money was spent before the same could be produced, but eventually a powder second to none in the world was the result. All developments in connection with this powder were turned over to the Government by the Du Pont Co. without charge other than the nominal payment of \$1 per year in some cases, and in other cases merely a letter of thanks.

When the United States Army decided to have its own powder plant at Dover, N. J., now called Picatinny Arsenal, the officials of the Du Pont Co. assisted in every way possible in the location and construction of this plant, allowing the engineers and draftsmen of the Government free access to all plans of the engineering department of the Du Pont Co., and further than that, allowing the use of Du Pont machinery, so that to-day both Picatinny Arsenal and Indianhead are manufacturing powder by the Du Pont process with machinery of the Du Pont type. In the equipment used are such important items as the dehydration process, alcohol recovery, and such equipment as a centrifugal wringer, mechanical dipper, etc., which are devices or machines patented and the patents owned by the Du Pont Co. In the matter of alcohol recovery alone the Du Pont Co. has been the means of the saving of a great many dollars to the United States Government.

When the European war came along the Du Pont Co. prepared plans for the plant at Charlestown, W. Va., called "Nitro," bought the land and advanced the money to pay for the land. They also provided the Government with cost data relating to labor and salaries to be paid. They built the old Hickory plant, near Nashville, for the manufacture of smokeless powder and were ready to begin construction on another plant to be located near Louisville, Ky., for the same purpose. They extended their plant at Barksdale to the limit of the land and were constructing a T. N. T. plant near Racine, Wis. They built and operated a plant at Penniman, Va., for the loading of high explosive shell and boosters, and assembling of complete rounds of ammunition. At the urgent request of the Ordnance Department they undertook the operation of two bag-loading plants, one at Seven Pines, Va., and the other at Tullytown, Pa., and also assisted the Remington people in their operation at the Woodbury bag-loading plant. When the Government urgently needed special small-arms ammunition, such as tracer and incendiary, they undertook this work although the field was new to them. They produced smoke boxes for the Navy, as well as smoke funnels. With a shortage of silk for silk bags for powder charges, they developed a nitroite container to take the place of the silk. With a shortage of "T. N. T." they developed for the Navy a substitute explosive called "T. N. X." for use in submarine mines, and for the Army two explosives called "Lycnite" and "Starite" for use in drop bombs and hand grenades, respectively.

They did any experimental work the Government requested of them whether or not it was work ultimately to be done by the Du Pont Co., and all information in connection with the same was turned over to the Government for whatever disposition they might see fit. When the German submarine began to menace the Atlantic coast in the summer of 1918 they loaded several hundred drop bombs and got them to New York in time for the emergency, while they did not expect to get into production on drop bombs. They took T. N. T. directly from the melting kettles and loaded it into submarine mines for the Navy in order to expedite the preparation of mines for the North Sea barrage.

In purchasing cotton, Mr. F. L. Connable, of the Du Pont Co., practically handled all purchases of cotton for the United States Government, and as the Du Pont Co. had developed a means for utilizing hulls as well as cotton lint these were also purchased. Had the war continued the project of utilizing wood pulp and wood cellulose mixed with cotton cellulose for the production of smokeless powder was all ready to put into operation. Mr. J. B. D. Edge, of the Du Pont Co., handled the purchase of nitrate for the United States Government.

In the conservation of raw materials during the war, which was more important than money, the Du Pont Co. was able to increase the yields from the amount of raw material used, and the methods by which this material was conserved were turned over to the United States Government, as well as to other manufacturers.

During the war the Du Pont Co. produced \_\_\_\_\_ pounds of T. N. T. for the United States Government. At the time the first proposals for supplying powder to the United States Army were discussed and when it was fully expected that the old congressional price of 53 cents would be the minimum the Du Pont Co. came in with a proposition of 47½ cents for water-dried powder and 49½ cents for air-dried. The water-drying process was a development of the Du Pont Co., which expedited the delivery of powder by shortening the drying period. The number of pounds of smokeless powder produced by the United States Government during the European war was \_\_\_\_\_. When it is realized that at the time the 53-cent price was set by Congress as a fair one for smokeless powder the cost of the ingredients in powder were 18 cents less than they were in 1917, on the same basis a fair price for smokeless powder could readily have been understood to mean



71 cents; but the benefit of all the saving and economies in manufacture were given the Government in the price of 47½ cents.

The construction of the shell-loading plant at Penniman, Va., the smokeless-powder plant at Old Hickory, and the T. N. T. plant at Racine was on the basis of cost plus \$1.

Since the European war the Du Pont Co., continuing its policy since organization, has undertaken experimental work at its own expense for the development of flashless and nonhygroscopic powder, and has made an agreement whereby this powder will be sold to the United States Government without any charge being made for royalties on any patents owned by the company or taken out by employees of the company, and, further, that in time of war other manufacturers of powder can make the same powder under similar terms.

As in all wars since 1802, the Du Pont Co. cooperated in every way possible with the Government in the late World War.

The Du Pont Nitrate Co., for instance, put at the disposal of the Government its experience and knowledge of the nitrate business in Chile and this country, its facilities for purchasing nitrate of soda, and the shipping of it to this country.

In August, 1917, Mr. Bernard M. Baruch, chairman of the War Industries Board, called Messrs. Tallman and Edge to Washington to discuss the nitrate situation. After receiving their offer to cooperate, Mr. Baruch called the other importers of nitrate of soda, namely, W. R. Grace & Co.; Wessel, Duval & Co., and H. J. Baker & Bro. Co., together in October, 1917, and informed them that the allied Governments had decided to form a pool for the purchase of all nitrate of soda in Chile. This was agreed to, and the nitrate committee of the United States was formed with headquarters in New York City, with Mr. H. Ray Paige, of the War Industries Board, as director of the committee representing the United States Government.

Under this arrangement Du Pont Nitrate Co. brought up at cost for the Army and Navy a total of 218,654 tons nitrate of soda from July 2, 1918, to January 30, 1919. The Government, through the nitrate committee, assigned the boats to the company to load this nitrate, and it was loaded and discharged under the supervision of the Du Pont men. In addition, from January 2, 1918, to December 27, 1918, the company brought up 558,045 tons to be used at its plants in the making of munitions for the Government. The other importers also brought up nitrate for the Army and Navy and for their own account, but they sold their nitrate for various purposes, its uses not being confined to munition plants.

In cooperating with the Government to the above extent the company was consequently in touch with Navy and Army officials, including Hon. Josephus Daniels, Secretary of Navy, Washington, D. C.; Commander C. C. Grimes, Bureau of Supplies and Accounts, Navy Department, Washington, D. C.; General Wheeler, Acting Chief of the Ordnance Department, Washington, D. C.; Samuel McGowan, Paymaster General of the Navy; Roy L. Lowman, Lieutenant commander, Navy Department, Bureau of Orders; Maj. Myron S. Falk, Procurement Division, War Department, Washington, D. C.; and Charles H. MacDowell, Chemical and Explosives Division, War Industries Board, Washington, D. C.

The Du Pont Nitrate Co. also cooperated with the finance division at Washington and New York and the nitrate committee of the United States at New York in arranging for proper settlement of nitrate brought up for the Army and Navy, such as suggesting forms and accounting methods to pursue in keeping these records.

At the close of the war the Du Pont Nitrate Co. received letters from all the departments thanking them for their splendid cooperation. One sent to the nitrate committee, of which we were a member, is attached.

UNITED STATES WAR INDUSTRIES BOARD,  
OFFICE OF THE CHAIRMAN,  
Washington, December 15, 1918.

MR. GEORGE DUVAL,  
Chairman Nitrate Committee of the United States,  
50 Broad Street, New York, N. Y.

DEAR SIR: At the close of the activities of the War Industries Board it is but simple justice to express our appreciation and gratitude for the loyal support given us by the industries of the Nation.

As chairman of the board I offer on behalf of my associates and myself a tribute of thanks to the patriotism and devotion shown by the entire commercial body of America. Its members have made service, and not profit, their rule. They have shown a desire to subordinate self and exalt public interest, and to this readiness to make sacrifices in the common cause has largely been due whatever success we may have been able to attain. I would be doing the industries in America an injustice if I did not make this acknowledgment.

May I express the hope that this same spirit may continue in times of peace, so that problems affecting all may be approached in the same spirit of helpful cooperation that has prevailed during the period of the war.

May I, through you, send this message of gratitude to you and to your loyal coworkers in the great industry which you have so ably represented.

Sincerely yours, BERNARD M. BARUCH.

Boats brought up for Army and Navy.

	Pounds.
Rangoon Maru	14,865,217
Sverre	12,677,343
Tosa Maru	13,721,792
Penang Maru	15,746,005
Tsurugisan Maru	11,229,800
Ancon	22,182,900
Chebaullit	15,016,347
Lulse Nielsen	17,875,675
Christobal	22,335,446
Western Spirit	17,562,786
Sutherland	14,980,748
Guaro	9,566,147
West Gatomska	17,769,516
Leersum	11,297,050
Western Maid	17,746,015
Kronborg	11,995,400
Kunajiri Maru	11,926,630
West Hobonac	17,833,027
Melderskin	13,839,862
Arnold Maersk	6,631,682
General O. H. Ernst	9,251,521
Otterstad	9,763,012
Nippon	14,373,192
Zirkel	18,866,551

	Pounds.
Terrier	18,139,844
Challenge	23,564,777
Wallowa	7,810,702
Garabaldi	9,448,514
Biloxi	6,721,748
Santa Clara	8,168,177
Kickapoo	6,735,179
Herakles	18,152,249
Pontoppidan	8,538,921
Jungshoved	4,172,483
Vittorio Emanuele	16,491,952
In storage	12,789,124
	489,786,784

#### APPENDIX B.

#### SPECIAL REPORT ON LABOR COSTS IN GERMAN CHEMICAL INDUSTRY END OF 1921.

UNITED STATES DEPARTMENT OF COMMERCE,  
BUREAU OF FOREIGN AND DOMESTIC COMMERCE.  
(Received April 26, 1922-7-3.)

TRADE COMMISSIONER.

BUDAPESTERSTRASSE 21,  
Berlin, W. 8, February 14, 1922.

The DIRECTOR BUREAU OF FOREIGN AND DOMESTIC COMMERCE,  
Department of Commerce, Washington, D. C.

Subject: Submitting special report.

DEAR SIR: Herewith I beg to submit my special report, No. 4, on the subject of "Labor costs in the German chemical industry in 1921." The data contained in this report was obtained from the Arbeitsgemeinschaft Freier Angestelltenverbände, Zentralverband der Angestellten, and the Verband der Fabrikarbeiter Deutschlands.

I am attaching herewith a list of the chemical companies who have agreed to the wages and allowances set forth in the report.

Very truly yours, O. S. PAYNE,  
Assistant Trade Commissioner.

#### COSTS OF LABOR IN THE GERMAN CHEMICAL INDUSTRY IN 1921.

Labor costs in the chemical industry are divided into three general classifications:

(a) General workers, such as factory hands, transport workers, boiler men and machinists, hand workers, coppersmiths, and apprentices.

(b) Technical workers, such as laboratory workers, workers without technical school training, workers with technical school training, construction engineers, chemists (nongraduate), pharmacists (nongraduate), dye chemists, etc.

(c) Office workers, such as shipping clerks, registrars, statisticians, typists, telephone operators, bookkeepers, cashiers, etc.

Each of these three classes is organized under a trades union. Of the total number of 350,000 employees in the chemical industry, 90 per cent are said to be organized.

The labor agreement made between the employees' association of the chemical industry and the trades union of factory workers covers employees under the first class (a) for Greater Berlin and the Province of Brandenburg. This territory is divided into four districts in which different rates of pay prevail. These districts are comprised as follows, each district coming in its order from A, having maximum rates, to D, having minimum rates:

A. Greater Berlin, Aldershof, Ridow, Koepenick, Friedrichshagen, Erkner, Gruenau, Wildau, Koenigswusterhausen, Oranienburg, Spandau, Staaken.

B. Lautawerk, Lonzawerk, Berman, Helligensee, Nowawes, Spremberg, Velten.

C. Brandenburg/H. Cottbus, Doebenitz, Eberswalde, Forst i. h., Frankfurt/O. Kuerstrin, Premnitz, Vordamm, Michendorf, Werder.

D. Finkenheerd, Liebenwalde, Perleberg, Rhelnsberg, Schiebuchen, Arnswalde.

The table given below shows the maximum wages paid in class A at the beginning and at the end of 1921 and also the average wage for the year.

Hourly labor wage rate, Berlin district.  
(Wages per hour.)

	Beginning 1921.		End of 1921.	
	In marks.	In dollars.	In marks.	In dollars.
Factory hands:				
Men	6.40	0.094	8.50	0.045
Women	4.25	.065	5.75	.03
Transport workers:				
Chauffeurs	6.76	.104	9.35	.05
Drivers	6.54	.101	9.13	.048
Elevator and stable men	6.43	.099	8.96	.047
Boiler men and machinists	6.45	.099	9.00	.048
Helpers	6.25	.096	8.65	.046
Hand workers:				
Skilled	6.55	.101	9.10	.048
Partly skilled	6.30	.097	8.70	.046
Coppersmiths	6.75	.104	9.30	.049
Apprentices:				
First year	0.90	.014	1.50	.008
Fourth year	2.35	.036	4.00	.021

Marks converted to dollars at (German) Federal Statistical Bureau's (Statistisches Reichsamt) average exchange rates as follows:  
For January, 1920, marks 64.92 per \$1.  
For December, 1921, marks 188.67 per \$1.

#### LIST OF MEMBERS OF THE EMPLOYERS' ASSOCIATION OF THE GERMAN CHEMICAL INDUSTRY.

##### FIRMS.

Akten-Ges. fur Anilinfabrikation, Farbenfabric, 4000 Besch., Wolfen, Kreis Bitterfeld, I.  
Akton-Ges. fur Anilinfabrikation, Filmfabrik, 4000 Besch., Wolfen, Kreis Bitterfeld, I.

- Aetherische Oele, Richter, Mier & Krutz, Magdeburg, III.  
 Asphalt- und Dachpappenfabrik, P. Wiertel, 2 Arb., Horrigen-Helme, IV.  
 Arzberger, Schopf & Co., Farbenfabrik, Eisenach, III.  
 Badische Anilin- und Sodafabrik, Ammoniakwerk Merseburg, 18000 Besch., Lennawerk Kreis Merseburg, I.  
 Badische Anilin- und Sodafabrik, Gipswerk, 20 Angest., 350 Besch., Niedersachswerfen/Harz, II.  
 Bernburger Teerprodukte & Dachpappenfabrik, Dr. Hans Philipp & Co., 25 Arb., Bernburg, IV.  
 Heinrich Boll & Sohn, 18-2, Arnstadt, III.  
 Wilhelm Brauns, G. m. b. H., 215-50, Quedlinburg, III.  
 Byk-Guldenwerke Chem. Fabr., A. G., 340-30, Piesteritz bei Wittenberg, II.  
 Chemische Fabrik Buckau, 300-50, Ammendorf, II.  
 Chemische Fabrik Dessau, G. m. b. H., Dessau, III.  
 Chemische Fabrik Erfurt, G. m. b. H., 2, Erfurt-Nord, III.  
 Chemische Fabrik Halle-Amendorf Gebr. Hartmann, 40-10, Dessau-Saalkreis, III.  
 Chemische Fabrik A. G. Hessler & Hermann, 21 Arb., Raguhn/Anhalt, III.  
 Chemische Fabrik Zacherndorf, G. m. b. H., 8 Ang., Bitterfeld, II.  
 Dampfalgeschmelze der Verein. Fleischermeister, G. m. b. H., 70-12, Eilenburg, II.  
 Deutsche Celluloid-Fabrik, 1200 Arb., Eilenburg, II.  
 Deutsche Claus-Schwefelgesellschaft, G. m. b. H., 140-26, Bernburg a. d. Cuxenacrstr., III.  
 Deutsche Erdöl-Akt. Ges., 1300 Besch., Rositz S. Altenburg, I.  
 Deutsche Solvaywerke, A. G., Bernburg, II.  
 Deutsche Sorengstoff, A. G., Gusen-Bahnhof, Bez. Magdeburg, IV.  
 Elektrotechnische Werke, G. m. b. H., Bitterfeld, I.  
 Elektroschmelze, G. m. b. H., Werk Zschornowitz, Zschornowitz Bez. Halle, I.  
 Freysold & Ruscher, Lack- und Firnisfabrik, Magdeburg-W Hassdorferstr. 5a, III.  
 Gelatinewerke Meissner & Co., Komm. Ges., 85, Stadtilm Schw./R. Auenrode Weimarische Strasse, IV.  
 Griesheim Elektron, Chem. Fabrik Werk II, Bitterfeld, I.  
 Griesheim-Elektron, Chem. Fabrik Werk I, Bitterfeld, I.  
 Gummiwerke, Elbe, A. G., 350-28, Piesteritz bei Wittenberg, II.  
 Hammer Munitionswerk, B. Hampfe, 150-60, Heimarb., Wallendorf S. M., III.  
 Fr. Hertz jun. Seifenfabrik, Nordhausen, III.  
 Hochstetter & Banse, Bitterfeld, III.  
 Hoppe & Roehming, Halle/S., III.  
 Kriegerchemikalien A. G., 573, Walbeck Post, Weferlingen, III.  
 Otto Kunstmann, Dachpappen- und Teerproduktenfabrik, 3, Gero-R. Poene, rstr. 3, III.  
 Carl Kuhrmeyer & Sohn, 20 Arb., Magdeburg-N., III.  
 Griesheim-Elektron, Chem. Fabrik Abt. Maintal, Bitterfeld, I.  
 Griesheim-Elektron, Chem. Fabrik Saurefabrik, Bitterfeld, I.  
 Karsachs, Braunkohlen-Gas- und Kraft, G. m. b. H., 22 Arb., Lutzkendorf bei Merseburg, II.  
 Landwirtschaftl. Versuchsanstalt an der Universität Agrikultur Chem. Abt., Jena, (?).  
 Hugo Leussen, 70 Arb., Zeitz Deissen bei Zeitz, III.  
 Montanwachs, G. m. b. H., Heilmann & Co., Halle/S. Marienstr. 10, III.  
 C. M. Nachtigall, Schkolen, Kr. Weissenfels, IV.  
 Oelwerk Phonix, 35, Kossnitz bei Posen, IV.  
 Reichsstickstoffwerke, Piesteritz bei Wittenberg, I.  
 Dr. A. Rieche & Co., G. m. b. H., 18, Bernburg, IV.  
 Rhein. Dynamitfabrik Köln, 115-12, Leinbach (Mansfeld), II.  
 Saalfelder Farbwerke, vorm. Dohn & Lindemann, G. m. b. H., Saalfeld/Saale, IV.  
 Salineverwaltung Neusulza, Ober-Neusulza bei Bad Sulza, IV.  
 Salzbergwerk Neustassfurt, 600 Besch. Teilnehmer, Neustassfurt bei Bitterfeld, I.  
 Sauerstoffwerk Erfurt d. Ges. für Landes Eismaschinen, A. G. 40, Erfurt Nord, Langestr. 28, II.  
 Paul Schutte, Seifenfabrik, Stendal, IV.  
 Friedrich Speitel, Neustadt am Rennsteig, III.  
 Tetralin, G. m. b. H., 650-80, Berlin W. 8, Behrenstr. 5, II.  
 Verinigte Aluminium-Werke A. G., Bitterfeld, I.  
 Torgauer Zündwerke, G. m. b. H., vorm. Rabitz, Torgau/Elbe, Eilenburgerstr., IV.  
 Westfälisch-Anhalt. Sprengstoff A. G., Coswig/Anhalt, III.  
 Westf. Anb. Sprengstoff A. G., 950, Reinsdorf, II.  
 Zundholzfabrik Aken, Dr. Fritz Rose, 145, Dessau/Anhalt, Antoinetstr. 10, III.  
 Thiele & Gunstern, Verein Galania Handschlauch, Magdeburg, II.  
 Dr. A. Helf, Nachf. Müller & Wohlfahrt, 3, Blankenburg/Thur., IV.  
 B. Pollack, Akt. Gummiwaren, Waltershausen/Gotha, III.

## MITGLIEDER.

## NR. I.

1. P. J. Happ, Aschersleben, IV.  
 2. Anb. Firnis-, Lack- und Farbenwerke, H. Teichgraber & Co., Bernburg, III.  
 3. Chem. Fabrik Bernburg, Dr. Wagner, Bernburg, III.

4. Jos. Gastrich, Bernburg, IV.  
 5. Mundt & Mylius, Bitterfeld, III.  
 6. W. Schröder, Bitterfeld, III.  
 7. Chem. Fabrik Stockel, Burg, IV.  
 8. I. F. Hüger, Calbe, IV.  
 9. Chemische Fabrik Schlagel, Corbetta, IV.  
 10. Chem. Fabrik Coswig, Coswig, III.  
 11. Ges. für chemische Industrie, Dr. Claudius, Coswig, III.  
 12. Chemische Fabrik Cothen, Cothen, III.  
 13. Otto Mogk, Cothen, III.  
 14. Verein chem. Fabriken Zeitz, A. G. Werk Dedendorf, Dedendorf, III.  
 15. Ernst Freyberg, Delitzsch, IV.  
 16. Verein chem. Fabriken Zeitz, A. G. Werk Dodendorf, Dodendorf, IV.  
 17. Zachimmer & Schwarz, Dolau, III.  
 18. Chem. Fabrik Draschwitz-Rheuden, Weise & Co., Draschwitz-Rheuden, III.  
 19. I. M. Lotze, Erfurt, III.  
 20. Scheidemandel, A. G., Frohse, III.  
 21. Harkotsche Bergwerke, Gotha, III.  
 22. A. Schraube, Halberstadt, III.  
 23. Caesar & Loretz, Halle, II.  
 24. Th. Franz & Co., Halle, II.  
 25. Hallesche Tintenfabrik, Thieme & Co., Halle, III.  
 26. Wilhelm Kathe, Halle, III.  
 27. Laboratorium Walther, Halle, III.  
 28. E. Lattermann, Halle, III.  
 29. Chem. Fabrik Goldschmieden, Halle-Trotha, III.  
 30. Harkotsche Bergwerke, Heinrichshall, III.  
 31. Chem. Fabrik Oschersleben, Magdeburg-Oschersleben, III.  
 32. Chemische Fabrik, Buckau, II.  
 33. I. I. Glorius, Magdeburg, II.  
 34. David Jansen, Magdeburg, II.  
 35. Dr. Kulenkampff & Co., Magdeburg, III.  
 36. Conr. Friedrich Müller, Magdeburg, III.  
 37. Metallhütte G. m. b. H., Magdeburg, III.

## NR. II.

38. Seaherinfabrik A. G., Magdeburg, III.  
 39. Ferd. Dietrich, Merseburg, III.  
 40. Hoffmanns Waschlappfabrik G. n. b. H., Muhlhausen/Th., III.  
 41. Chem. Werke vorm. Romer & Co., Nienburg/Saale, II.  
 42. Julius Grosse, Oschersleben, III.  
 43. G. R. Duwe Sohn, Osterwieck, IV.  
 44. Otto Schmid, Raguhn, IV.  
 45. Verein chem. Fabriken Zeitz, A. G./Werk Rehmsdorf, Rehmsdorf, III.

46. G. Neukrantz, Salzwedel, IV.  
 47. Hermania A. G., Schönebeck, II.  
 48. Merk'sche Guano- und Phosphatwerke A. G., Schönebeck, III.  
 49. Oberschles. Sprengstoff A. G., Schönebeck, II.  
 50. Ammoniakodafabrik d. chem. Fabrik Bichau, Stassfurt, II.  
 51. Chem. Fabrik Harburg-Stassfurt, Stassfurt, II.  
 52. Leim- und Knochenmehlfabrik, Trebbichau, IV.  
 53. Huth & Richter, Wormitz, III.  
 54. Verein chem. Fabriken Zeitz A. C., Zeitz, III.

With the exception of the copper-smiths and apprentices, all these workers start at a wage averaging 4.6 per cent less than the rates given above, which are reached after a two months' probationary period. District D rates average 33 per cent less than those paid in District A, this difference being due to the higher cost of living which exists in the latter district. The before-mentioned agreement likewise makes the following supplementary provisions:

A family allowance of 14.40 marks per week will be allowed for—

- (a) A dependent wife.  
 (b) Every child under 14 years, or if attending school until 18 years old. Illegitimate children are to be regarded as equal to legitimate children when belonging to the same household.  
 (c) A dependent person in the home of the employee and whom he is bound to support, either because of legal or moral obligations.

In case the employee is taken ill, the family allowance will be paid for the week in which he is taken sick and for the following week, independent of the payment of his wages.

Women employees whose husbands are capable of earning their living have no claim to the family allowance.

It is agreed by the parties to this agreement that all questions arising regarding the family allowance shall be decided by an impartial commission.

If an employee is absent from work through his own fault more than two days per week, he loses his right to the family allowance.

Working outside the fixed working hours for pay for another employer is not permitted and an infraction will result in immediate dismissal.

The wages paid in 1921 to the technical workers listed under Classification B above are shown in the following table. These figures, which cover the districts of Berlin, Leipzig, Cologne, Bavaria, central Germany, and Silesia-Posen, give the minimum, maximum, and average wages for the beginning and the end of the year. By the minimum wage is meant the beginning wage, while the maximum wage is that paid workers with 11 years' experience:

Average monthly technical workers' wage rate in German chemical industry.  
 PERIOD—BEGINNING AND END OF 1921.

District.	Period.	Untrained technical workers, draftsmen and helpers, assistant photographers, and laboratory assistants.		Workers with technical education, but no practical training, chemists, assistant chemists, and analytical chemists.		Technical workers with trade school training, construction chemists, special construction engineers, and chemists.		Managers and holders of administrative positions, industrial engineers, etc.	
		In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.
Berlin.....	Beginning, 1921.....	1,100.00	16.94	1,250.00	19.25	1,500.00	23.11	2,050.00	31.58
	End, 1921.....	1,310.00	6.94	1,495.00	7.92	1,800.00	9.54	2,600.00	13.78
Leipzig.....	Beginning, 1921.....	840.00	12.94	1,175.00	18.10	1,365.50	21.03	(1)	(1)
	End, 1921.....	1,092.00	5.79	1,521.00	8.06	1,774.50	9.41	(1)	(1)
Cologne.....	Beginning, 1921.....	1,073.50	16.54	1,430.00	22.03	1,625.00	25.03	(1)	(1)
	End, 1921.....	1,390.47	10.02	1,890.47	10.02	2,542.85	3.48	(1)	(1)

<sup>1</sup> Open agreement.



Average monthly technical workers' wage rate in German chemical industry—Continued.  
PERIOD—BEGINNING AND END OF 1921—Continued.

District.	Period.	Untrained technical workers, draftsmen and helpers, assistant photographers, and laboratory assistants.		Workers with technical education, but no practical training, chemists, assistant chemists, and analytical chemists.		Technical workers with trade school training, construction chemists, special construction engineers, and chemists.		Managers and holders of administrative positions, industrial engineers, etc.	
		In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.
Bavaria.....	(Beginning, 1921.....	840.00	12.94	972.00	14.97	1,125.00	17.33	( <sup>1</sup> )	( <sup>1</sup> )
	End, 1921.....	1,275.00	6.76	1,500.00	7.95	1,650.00	8.75		
Central Germany.....	(Beginning, 1921.....	837.50	12.90	1,110.00	17.10	1,327.50	20.45	1,900.00	29.27
	End, 1921.....	1,185.00	6.28	1,498.50	7.94	1,792.10	9.50	2,565.00	13.60
Silesia-Posen.....	(Beginning, 1921.....	757.50	11.67	967.00	14.90	1,080.00	16.64	1,302.50	20.06
	End, 1921.....	1,192.00	6.32	1,548.00	8.20	1,728.00	9.16	2,084.00	11.05
	Average monthly rate beginning, 1921.....		14.16		17.73		20.60		26.97
	Average monthly rate end, 1921.....		7.02		8.35		9.97		12.81

<sup>1</sup> Open agreement.

Marks converted to dollars at (German) Federal Statistical Bureau's (Statistisches Reichsamt) average exchange rate as follows: For January, 1920, marks 64.92 per \$1; for December, 1921, marks 188.67 per \$1.

Average monthly office workers' wage rate in German chemical industry.

PERIOD—BEGINNING AND END OF 1921.

District.	Period.	Assistant bookkeepers, statisticians, registrars, recorders, typists, telephone operators, stock bookkeepers.		Trained employees, such as registrars, stenographers, statisticians, bookkeepers, stock-room keepers, accountants, etc.		Employees with personal responsibility, such as cashiers, secretaries, stenographers, statisticians, travelers, etc.		Employees with administrative positions, such as head cashiers, accountants, correspondents, purchasing agents, and traveling representatives.	
		In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.	In marks.	In dollars.
Berlin.....	(Begin 1921.....	1,100.00	16.94	1,250.00	19.25	1,500.00	23.11	1,700.00	26.19
	End 1921.....	1,310.00	6.94	1,495.00	7.92	1,800.00	9.54	2,110.00	11.18
Leipzig.....	(Begin 1921.....	840.00	12.94	1,175.00	18.10	1,365.00	21.03	1,485.00	22.87
	End 1921.....	1,092.00	5.79	1,521.00	8.06	1,774.50	9.41	1,920.50	10.18
Cologne.....	(Begin 1921.....	1,001.25	15.42	1,145.00	17.64	1,426.25	21.97	2,007.50	30.92
	End 1921.....								
Central Germany.....	(Begin 1921.....	837.50	12.90	967.50	14.90	1,525.00	23.49	1,672.50	25.76
	End 1921.....	1,117.75	5.92	1,292.10	6.85	2,030.75	10.76	2,227.85	11.81
Silesia-Posen.....	(Begin 1921.....	867.25	13.36	960.57	14.80	1,002.50	15.44	1,155.00	17.48
	End 1921.....	1,228.00	6.51	1,372.00	7.27	1,338.37	7.09	1,606.50	18.51
	Average monthly rate beginning 1921.....		14.31		16.94		21.01		24.64
	Average monthly rate end 1921.....		6.29		7.53		9.20		10.42

Marks converted to dollars at (German) Federal Statistical Bureau's (Statistisches Reichsamt) average exchange rates as follows: For January, 1920, M. 64.92 per \$1; for December, 1921, M. 188.67 per \$1.

The agreement covering the conditions of labor of the technical and office employees in the greater Berlin district comprises the following: Employees in these branches of the chemical industry are paid according to length of service. Starting with the first year the rates increase to the maximum with the eleventh year.

The regular weekly working time is 46 hours. Ordinarily, work stops at 2 p. m. Saturdays and at 1 p. m. on the days before Christmas, New Year's, Easter, and Whitsunday.

Overtime is restricted to occasions of extraordinary necessity. For overtime between the ordinary closing time and 7 p. m. one two-hundredths of the monthly wage plus 25 per cent is paid per hour. Between 7 p. m. and 6 a. m. and also Sundays and legal holidays this rate is increased to 50 per cent.

After six months' employment holidays are allowed according to the following schedule:

- 21-25 years of age, 12 workdays per year.
- 25-30 years of age, 15 workdays per year.
- 30-35 years of age, 18 workdays per year.
- 35-40 years of age, 21 workdays per year.
- Over 40 years of age, 24 workdays per year.

In cases of sickness the employee is entitled to his wages for 6 weeks, which is increased to 13 weeks after 9 years' service. When the sickness lasts more than 8 days the employee, upon the request of the employer and at his expense, must furnish a certificate of sickness from an official doctor.

The following extra compensation is allowed:

- 1. For married men, 100 marks monthly.
- 2. For each child, 100 marks monthly.
- 3. For women workers with dependents, 10 per cent less than the above.

All disputes arising out of the agreement signed by the employees' and employers' representatives shall be settled by a deliberation between the delegates of both sides. In case of a settlement not being arrived at the matter is to be brought before a tribunal established by law and consisting of members of both parties to the dispute.

The agreement for the district of Leipzig comprises the following:

Working time, 8 hours per day, 48 hours per week.  
Overtime receives one two-hundredths of the monthly wage plus 25 per cent per hour for the first two hours, which is increased to 50 per cent for all other overtime, including Sundays and holidays.

Vacations are allowed as follows:

- After 1 year of service, 6 working days.
- After 3 years of service, 12 working days.
- After 6 years of service, 18 working days.

Workers 30 years old have a right to at least 12 days.

Workers 35 years old have a right to at least 18 days.

Apprentices receive a monthly expense allowance of 75 marks the first year, 100 marks the second year, and 125 marks the third year.

Wages of female employees, except those between 15 and 19 years old, can be reduced up to 15 per cent.

The agreement for the district of Cologne provides for:

- 1. An allowance for married men at the beginning of 1921 of 100 marks monthly and 300 marks monthly at the end of 1921.
- 2. An allowance for each child at the beginning of 1921 of 50 marks monthly and 150 marks monthly at the end of 1921.
- 3. Women employees with dependents receive 10 per cent less than the above.

The agreement for Bavaria provides:

Working time, 46 hours per week; and the daily working hours to be between 7 a. m. and 7 p. m. On Saturdays and the days before Christmas and New Year's the offices and laboratories to close at 1 p. m.

Overtime between closing and 10 p. m. receives 25 per cent extra. Sundays and holidays 50 per cent extra, while Christmas, Easter, Whitsunday, and May 1, 100 per cent extra.

In case of sickness the salary is paid for six weeks and after three years' service for three months. In case of death the dependent relations are entitled to a settlement of three months' salary.

Vacation with pay are allowed on a basis of 6 week days after one year's service, increasing to 18 days after eight years' service. Employees 25 years old get in addition 3 days, those 30 years old get 6 days, and so on to its maximum of 18 days. Absence from work of more than 6 days can be counted on the vacation time.

Employees reserve the right to organize and can not be persecuted or reduced in salary because of belonging to a trades-union. They, however, are not allowed to carry on political or union propaganda during working hours.

A special daily allowance of 15 per cent is given for work abroad supplementary to traveling expenses.

A married man's allowance of 10 to 15 per cent of the monthly salary is granted.

Women employees with dependents get 10 per cent less.

All disputes arising out of the agreement will be passed upon by a commission consisting of two members of each side. In case of a deadlock the four members will elect an impartial presiding judge.

The agreement for middle Germany—Saxony, Anhalt, and Thuringia—is as follows:

Weekly working time, 45 hours.

Employees working 48 hours per week are entitled to two half holidays per month, while those working 56 hours get the same and one one-hundred-and-seventieth of the monthly wage for each hour over 48.

Overtime is paid by 25 per cent extra for the first two hours, while all other overtime, including that on Sundays and holidays, receives one one-hundred-and-seventieth of the monthly salary plus 50 per cent per hour extra.

In case of sickness the salary is paid for 6 weeks and after 10 years' service for 3 months.

A yearly vacation with pay is allowed, which is determined according to the age or length of service of the employee.

An agreement by which an employer binds other employers not to hire an employee who is or has been in his service is forbidden. The same provision applies for the settlement of disputes as is in effect in the Berlin district.

A wage commission is provided for on which both sides are to have equal representation. Appeals may be made to the regular labor tribunal provided for by law.

An allowance of 100-200 marks per month is made to employees having children.

The labor agreement for Silesia-Posen provides: For the same working time as that in force in the Leipzig district, except that employees averaging 56 hours per week are allowed two half holidays in every four weeks. Overtime is likewise paid the same, except that on Christmas, Easter, and Whitsunday 100 per cent extra per hour is allowed.

Notice of termination of employment must be given six weeks before the termination of the quarter, and after five years' uninterrupted service three months before the ending of the quarter. Notice can not be given to a sick employee during the first six weeks of his illness.

Vacation is allowed as follows after six months' service: Up to 20 years old, 8 workdays per year; over 20 years old, 12 workdays per year, increasing 1 day each year to a maximum of 18 workdays.

In case of disputes not settled by negotiation they will be brought for decision before an impartial commission made up of three representatives of each side.

Apprentices get the following expense allowances: First year, 80 marks monthly; second year, 150 marks monthly; third year, 120 marks monthly; fourth year, two-thirds of wage of minor employees over 17 years old.

In comparing the foregoing labor costs with those of the costs in the chemical industry in the United States the average value of the mark in terms of dollars for each month will be of assistance. The following figures are those issued by the federal statistical bureau (Statistisches Reichsamt):

Average for 1921:

January	64.90
February	61.30
March	62.45
April	63.53
May	62.30
June	69.38
July	76.67
August	84.31
September	104.91
October	150.20
November	260.96
December	192.00

As an indication of how the cost of living has risen in conjunction with the depreciation of the mark and the increase in wages during the year, the following index numbers for the first 11 months of 1921 are of interest. These index numbers which are issued by the Statistisches Reichsamt cover only food, heat, light, and housing:

1913-14	100
1921:	
January	944
February	901
March	901
April	894
May	880
June	896
July	963
August	1045
September	1062
October	1146
November	1397

Owing to the recent extraordinary rise in the cost of clothing, the above figures do not give an accurate conception of the increased cost of living, unless taken in conjunction with the following index figures on clothing costs in the Berlin and Ludwigshafen districts:

<b>Berlin.</b>	
February, 1914	100
April, 1921	1,077
July, 1921	1,077
October, 1921	1,436
November, 1921	2,188
<b>Ludwigshafen.</b>	
June, 1914	100
April, 1921	1,642
July, 1921	1,638
October, 1921	1,882
November, 1921	2,187

#### APPENDIX C.

Coal-tar products—1919 census of manufactures.

Number of firms	183
Capital	\$174,991,835
Salary and wages	\$35,235,209
Value of products	\$135,482,161
Number of wage earners	15,663

UNITED STATES CHEMICAL INDUSTRY.

MAY 2, 1922.

In order that the Senate may be correctly informed as to the amount of capital actually invested in the various branches of the chemical industry which are covered by Schedule 1, Chemicals, oils, and paints, of this bill, I have had prepared from the Summary of Census of Manufactures, by Industries, for the United States, 1919, compiled for the use of the Committee on Finance, United States Senate, by the Bureau of the Census, Department of Commerce, a table showing the total number of establishments in each branch of the industry, the capital invested, and the amount of wages paid to wage earners, which does not include salaries of officers of corporations, superintendents and managers, and clerks, stenographers, and salesmen, but simply the wage paid to ordinary laborers. This table also shows the total value of the products of that industry for the year 1919:

Industry.	Number of establishments.	Wage earners.	Capital.	Wages paid to wage earners (laborers).	Value of products, 1919.
United States, all industries	290,105		\$44,688,093,771	\$10,531,600,340	\$62,418,078,773
Blackening, stains, and dressings	220	2,455	13,080,901	2,109,103	25,284,072
Bone, carbon and lampblack	35	675	9,790,167	808,332	6,186,204
Charcoal, not including production in the lumber and wood distillation industries	41	209	518,762	156,072	589,418
Chemicals	598	55,588	484,488,412	72,848,324	438,658,899
Cleansing and polishing preparations	499	1,955	12,979,414	1,898,447	26,703,109
Coal-tar products	183	15,063	174,991,835	23,402,140	135,482,161
Drug grinding	31	1,347	14,991,135	1,526,137	16,937,698
Druggists' preparations	524	15,568	102,129,257	12,161,925	114,593,486
Dyestuffs and extracts, natural	144	4,342	38,689,058	4,734,614	53,744,283
Explosives	118	9,249	133,247,684	12,504,986	92,474,813
Fertilizers	600	26,296	311,633,269	25,363,132	281,143,587
Flavoring extracts	453	2,188	13,561,337	1,665,285	30,116,932
Glue, not elsewhere specified	62	4,264	27,237,123	4,776,724	32,134,067
Ink, printing	90	1,988	18,702,523	2,574,920	26,244,470
Ink, writing	61	702	4,803,485	596,168	6,433,941
Oil and cake, cottonseed	711	26,766	203,457,371	20,615,193	581,244,798
Oil, essential	78	321	6,379,910	391,213	5,698,403
Oil, linseed	26	2,173	73,954,065	3,062,269	120,638,100
Oil, not elsewhere specified	280	5,930	91,475,009	6,141,145	156,479,654
Paints	601	17,485	177,314,815	19,550,371	256,714,379
Patent medicines and compounds	2,467	17,444	143,498,611	13,748,813	212,162,255
Perfumery and cosmetics	569	5,405	32,666,633	3,983,016	59,613,391
Salt	86	6,495	47,725,231	7,353,420	37,513,521
Soap	348	20,436	212,416,886	21,228,063	316,740,115
Sulphuric, nitric, and mixed acids	39	4,961	51,160,004	7,916,531	31,470,480
Turpentine and rosin	1,191	28,067	33,595,986	16,972,881	53,051,294
Varnishes	229	4,022	62,461,021	4,567,788	83,632,424
Wood distillation	115	4,946	42,334,503	5,309,689	82,646,314
Total of all chemical industries	287,968	2,539,284,377	297,956,701	3,234,231,538	

#### APPENDIX D.

WAR DEPARTMENT,  
OFFICE CHIEF OF CHEMICAL WARFARE SERVICE,  
Washington, D. C., June 9, 1922.

HON. JOSEPH S. FREELINGHUYSEN,  
United States Senate, Washington, D. C.

MY DEAR SENATOR: Replying to your letter of June 6 regarding the testimony of Mr. Earl J. W. Ragsdale, formerly lieutenant colonel, Ordnance Corps of the Army, before the Senate Finance Committee on the dye and chemical schedule, I desire to say that I have read over this testimony carefully.

It will be noted that Colonel Ragsdale did not state definitely that high explosives and war gases are not made in war plants. For instance, in one case he stated, "As for the dyestuff industry being regarded as a potential military strength, it unquestionably is." He stated at another time, "I will grant you that the training of a chemist in the dye industry is a severe one, and one which fits him to undertake the research work which is so essential to the improvement of existing chemical weapons or the invention of new ones."

However, I have observed that in his letter published in the American Economist, November 18, 1921, he endeavored to make it appear that high explosives and war gases were made in general chemical plants other than dye plants. In that he is in error, both as regards Germany, our allies, and the United States itself. For instance, mention is made in the report of the allied mission to study chemical plants in the occupied territory that one dye plant was changed over from the making of dyes to the manufacture of 250 tons of T. N. T. per month in six weeks' time.

The same report states that the German sneeze gas was manufactured in the plants of Kalle & Co., Biebrich, and the Bayer Co., at Leverkusen, with equipment which is being used to-day for the production of azo dyes. Furthermore, the latter firm, namely, Bayer & Co., manufactured the war gas phosgene, as well as the high-explosive T. N. T. with the same equipment that was used prior to the war for the production of dye intermediates. The firm of Meister Lucius & Bruning, at Höchst, manufactured a large part of their most important war gases in apparatus which existed before the war, principally for the production of dyes.

Furthermore, the first successful manufacture of mustard gas by the French was in the plant of the Usine du Rhone Co., which was making dyes and similar chemicals prior to the war. Likewise, the first and most successful method of manufacturing mustard gas in England was in the plants of Mr. Levenstein, who manufactures dyes and similar chemicals.

Even in the United States, where the dye industry was in its infancy prior to the war, practically the only war gases made outside the Government plant at Edgewood were in plants of companies making dyes or similar organic chemical products. For instance, it was the American Synthetic Color Co., at Stamford, Conn., that produced nearly 3,000,000 pounds of chloropierin after December 13, 1917. The Dow Chemical Co., manufacturers of dyes and other chemicals, was the only concern that actually made mustard gas outside of the Government plant at Edgewood Arsenal.



The National Aniline & Chemical Co., of Buffalo, N. Y., had a mustard-gas plant 50 per cent completed at the close of the war for the manufacture of 50 tons of mustard gas per day. A similar 50-ton mustard-gas plant was 95 per cent complete at the organic chemical plant of Zinsser & Co., Hastings-on-Hudson, N. Y. Likewise, the Newport Chemical Co., a dye-making concern, at Carrollsville, Wis., had plans under way when the armistice was signed for producing a large quantity of the gas D. A., one of the war gases. Finally the Federal Dye & Chemical Co., Kingsport, Tenn., was actually making brombenzylcyanide, a war gas, at the close of the war.

Phosgene, one of the most important war gases, was made in quantity outside of the Government plant at Edgewood Arsenal only in the works of the Frank Hemingway Co. in New Jersey. Frank Hemingway had made small quantities of phosgene prior to the war and had done considerable work in organic chemicals.

I might add that during the past year a Chemical Warfare Service officer was detailed to George Washington University for the purpose of studying the relation between the manufacture of dyes and other organic chemicals and war gases. In connection with this study he made an extensive tour of observation of four of the largest dye plants in the country. His report shows not only that these dye plants are potential arsenals but that many parts of them can be converted into the manufacture of war gases in a very short time.

Colonel Ragsdale was head of the Trench Warfare Section of the Ordnance Department in the war. The manufacture of gases and other chemical warfare materials was a small part of his work. In the very beginning Edgewood was put under a Lieutenant Colonel Chance, who started the work in the fall of 1917. Later Col. William H. Walker, professor of chemical engineering in the Massachusetts Institute of Technology, was put in entire charge of chemical warfare gases and other materials, with station in Baltimore. He had charge not only of Edgewood Arsenal but of all outlying plants manufacturing war gases of any kind.

This work in May, 1918, passed under the control of the newly created Chemical Warfare Service, with Maj. Gen. W. L. Sibert in charge in the United States. Thus Colonel Ragsdale, with his many other duties in trench warfare, had but very little time to give to chemical warfare in the beginning, while the entire work passed out of his hands before we made any real headway in the production of gas.

Very sincerely,

AMOS A. FRIES,  
Brigadier General, United States Army,  
Chief Chemical Warfare Service.

Mr. KING addressed the Senate. After having spoken with interruptions for two hours and a half,

Mr. McCUMBER. May I ask the Senator if he is especially desirous of closing his argument before we take a recess?

Mr. KING. I would prefer, if it suits the pleasure of the Senator, to go on in the morning.

Mr. McCUMBER. That is entirely satisfactory.

Mr. McCUMBER. I ask unanimous consent that when the Senate closes its session this calendar day it take a recess until to-morrow at 11 o'clock.

The PRESIDING OFFICER (Mr. JONES of Washington in the chair). Is there objection to the request of the Senator from North Dakota? The Chair hears none, and it is so ordered.

#### EXECUTIVE SESSION.

Mr. McCUMBER. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business. After five minutes spent in executive session the doors were reopened, and (at 6 o'clock and 5 minutes p. m.) the Senate, under the order previously made, took a recess until to-morrow, Saturday, July 15, 1922, at 11 o'clock a. m.

#### NOMINATIONS.

*Executive nominations received by the Senate July 14 (legislative day of April 20), 1922.*

##### MEMBER OF FEDERAL BOARD FOR VOCATIONAL EDUCATION.

C. F. McIntosh, of Indiana, to be a member of the Federal Board for Vocational Education for a term of three years from July 17, 1922. (A reappointment.)

##### APPRAISER OF MERCHANDISE.

George O'Brien, of Philadelphia, Pa., to be appraiser of merchandise in customs collection district No. 11, with headquarters at Philadelphia, Pa., in place of Albert L. Moise, resigned.

##### ASSISTANT APPRAISER OF MERCHANDISE.

Laid Curtin, of Phillipsburg, Pa., to be assistant appraiser of merchandise in customs collection district No. 11, with headquarters at Philadelphia, Pa., in place of George O'Brien.

##### UNITED STATES MARSHAL.

Andrew J. Russell, of Arkansas, to be United States marshal, western district of Arkansas, vice John H. Parker, resigned.

##### PROMOTION IN THE REGULAR ARMY.

###### MEDICAL CORPS.

###### To be captain.

First Lieut. Thomas Franklin Weldon, Medical Corps, from July 11, 1922.

##### APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY. AIR SERVICE.

Capt. Dudley Blanchard Howard, Infantry, with rank from July 1, 1920.

First Lieut. John Dean Barriger, Field Artillery, with rank from July 1, 1920.

##### APPOINTMENTS IN THE OFFICERS' RESERVE CORPS OF THE ARMY. To be brigadier generals.

Col. George Edmund de Schweinitz, in the Medical Officers' Reserve Corps.

Col. Clinton Goodloe Edgar, in the Signal Officers' Reserve Corps.

Col. William Barclay Parsons, in the Engineer Officers' Reserve Corps.

Col. Burke Haddan Sinclair, in the Field Artillery Officers' Reserve Corps.

##### PROMOTIONS IN THE NAVY.

The following-named chaplains of the United States Naval Reserve Force to be chaplains in the Navy, with the rank of commander, from the 1st day of July, 1922, in accordance with a provision contained in the act of Congress approved that date: Edwin B. Niver.

John J. Brokenshire.

##### POSTMASTERS.

###### ALABAMA.

James W. Fincher to be postmaster at Theodore, Ala. Office became presidential April 1, 1922.

John L. Shotts to be postmaster at Hamilton, Ala., in place of C. E. Mitchell. Incumbent's commission expired March 16, 1921.

Charley N. Thompson to be postmaster at Piedmont, Ala., in place of H. B. Ralls. Incumbent's commission expired July 21, 1921.

Lillian R. Maugans to be postmaster at Eufaula, Ala., in place of C. S. McDowell. Incumbent's commission expired January 24, 1922.

###### ARKANSAS.

Jacob Y. Sayre to be postmaster at Stuttgart, Ark., in place of L. K. Buerkle. Incumbent's commission expired January 24, 1922.

###### CALIFORNIA.

Oliver N. Thornton to be postmaster at Brea, Calif., in place of W. M. Smith, resigned.

James E. Pharr to be postmaster at Scotia, Calif., in place of George Gribble, resigned.

###### COLORADO.

Will J. Wood to be postmaster at Crawford, Colo. Office became presidential January 1, 1921.

###### CONNECTICUT.

Louis E. Chaffee to be postmaster at Stafford Springs, Conn., in place of L. E. Chaffee. Incumbent's commission expired May 20, 1922.

###### FLORIDA.

Urban P. Eytchison to be postmaster at Marianna, Fla., in place of E. C. Lewis. Incumbent's commission expired August 1, 1921.

###### GEORGIA.

Herbert J. Knowles to be postmaster at Cuthbert, Ga., in place of A. B. Bussey. Incumbent's commission expired February 18, 1922.

Robert W. Graves to be postmaster at Toccoa, Ga., in place of H. F. Gilmer. Incumbent's commission expired August 7, 1921.

Paul L. Smith to be postmaster at Athens, Ga., in place of J. H. Rucker, resigned.

###### HAWAII.

Arcenio H. Silva, jr., to be postmaster at Kahului, Hawaii, in place of A. H. Silva, jr. Incumbent's commission expired July 21, 1921.

Antone F. Costa to be postmaster at Wailuku, Hawaii, in place of A. F. Costa. Incumbent's commission expired July 21, 1921.

###### ILLINOIS.

Hugo L. Schneider to be postmaster at Highland Park, Ill., in place of W. M. Dolley. Incumbent's commission expired February 4, 1922.

Samuel J. Davis to be postmaster at Mooseheart, Ill., in place of J. F. Petit. Incumbent's commission expired March 16, 1921.

Leo H. Borgelt to be postmaster at Havana, Ill., in place of Matthew Bolland. Incumbent's commission expired February 4, 1922.

Edward A. Catour to be postmaster at Atkinson, Ill., in place of Edward Johnston. Incumbent's commission expired February 4, 1922.

Allie M. Reineke to be postmaster at Perry, Ill. Office became presidential January 1, 1921.

Charles W. Russell to be postmaster at Hurst, Ill. Office became presidential April 1, 1922.

Bert R. Johnson to be postmaster at Kewanee, Ill., in place of J. H. Mulligan, removed.

## INDIANA.

Shad R. Young to be postmaster at Cicero, Ind., in place of C. F. Bardonner. Incumbent's commission expired July 21, 1921.

John E. Ward to be postmaster at Gas City, Ind., in place of W. D. Hunt. Incumbent's commission expired July 21, 1921.

Calvin Ulrey to be postmaster at North Manchester, Ind., in place of Charles Wright. Incumbent's commission expired January 24, 1922.

Thomas C. Dodd to be postmaster at Gosport, Ind., in place of E. A. Smith, resigned.

Homer E. Wright to be postmaster at Crandall, Ind. Office became presidential July 1, 1922.

## IOWA.

Benjamin S. Borwey to be postmaster at Eagle Grove, Iowa, in place of H. A. Cooke. Incumbent's commission expires July 24, 1922.

Alfred G. Rigby to be postmaster at Independence, Iowa, in place of A. T. O'Brien. Incumbent's commission expired January 24, 1922.

George Banger to be postmaster at La Porte City, Iowa, in place of E. R. Ashley. Incumbent's commission expired January 24, 1922.

Janette E. Gilliland to be postmaster at Melbourne, Iowa, in place of Josephine McMahon. Incumbent's commission expired March 16, 1921.

Flossie K. Pfeiff to be postmaster at West Burlington, Iowa, in place of K. A. Schwarz. Incumbent's commission expired January 24, 1922.

Frank K. Hahn to be postmaster at Cedar Rapids, Iowa, in place of C. D. Huston. Incumbent's commission expired January 24, 1922.

Phillip T. Serrurier to be postmaster at Sabula, Iowa, in place of J. F. Goos. Incumbent's commission expired January 24, 1922.

## KENTUCKY.

Eddie E. Shelton to be postmaster at Clay, Ky., in place of James Stiman, removed.

Fountain S. Aynes to be postmaster at Pleasureville, Ky. Office became presidential April 1, 1921.

## MASSACHUSETTS.

Burton D. Webber to be postmaster at Fiskdale, Mass., in place of H. L. Upham, deceased.

John P. Brown to be postmaster at Bass River, Mass. Office became presidential July 1, 1922.

## MICHIGAN.

Otis J. Cliffe to be postmaster at Lakeview, Mich., in place of S. F. Kennedy, deceased.

Natalie G. Noble to be postmaster at Elk Rapids, Mich., in place of E. S. Noble. Incumbent's commission expired January 24, 1922.

Ward R. Rice to be postmaster at Galesburg, Mich., in place of H. L. Shirley. Incumbent's commission expired January 24, 1922.

Victor H. Sisson to be postmaster at Freeport, Mich. Office became presidential July 1, 1922.

## MINNESOTA.

Fritz von Ohlen to be postmaster at Henning, Minn., in place of Fred von Ohlen. Incumbent's commission expired August 7, 1921.

Kenneth S. Keller to be postmaster at Kasson, Minn., in place of E. R. Brown, deceased.

Charles A. Allen to be postmaster at Milaca, Minn., in place of C. A. Allen. Incumbent's commission expired July 24, 1920.

Peter G. Peterson to be postmaster at Villard, Minn. Office became presidential October 1, 1920.

## MISSOURI.

Charles E. Bedell to be postmaster at Hale, Mo., in place of Lee Jones. Incumbent's commission expired January 24, 1922.

John T. Garner to be postmaster at Carrollton, Mo., in place of William Arterburn, resigned.

George E. Richards to be postmaster at Lilbourn, Mo., in place of F. A. Hearn, appointee not commissioned.

## NEBRASKA.

Hugh E. Mallory to be postmaster at Litchfield, Nebr., in place of Orren Slote. Incumbent's commission expired February 4, 1922.

Clyde S. Burkard to be postmaster at Shelton, Nebr., in place of John Conroy, deceased.

## NEW YORK.

Pearla S. Kling to be postmaster at Albany, N. Y., in place of W. H. Murray, deceased.

Ruth M. Marleau to be postmaster at Big Moose, N. Y., in place of F. B. Peck, removed.

Harry M. Barrett to be postmaster at Mahopac, N. Y., in place of E. A. Jennings, declined.

George M. Edsall to be postmaster at Nanuet, N. Y., in place of H. M. Fisher. Incumbent's commission expired July 21, 1921.

Earl W. Kostenbader to be postmaster at Groton, N. Y., in place of A. J. McMahon, removed.

George A. Gardner to be postmaster at Newfield, N. Y. Office became presidential January 1, 1921.

Jay E. Davis to be postmaster at Deansboro, N. Y. Office became presidential July 1, 1922.

## NORTH CAROLINA.

Walter F. Long, jr., to be postmaster at Rockingham, N. C., in place of W. S. Thomas, resigned.

## OHIO.

Ross H. Hartsock to be postmaster at Waynesville, Ohio, in place of J. P. Cummings. Incumbent's commission expired April 16, 1922.

Brice H. Murphy to be postmaster at Maynard, Ohio. Office became presidential July 1, 1920.

## OKLAHOMA.

John W. Bishop to be postmaster at Fairview, Okla., in place of J. B. Wilson. Incumbent's commission expired February 4, 1922.

Bessie A. Porter to be postmaster at Buffalo, Okla., in place of G. H. Overbeck, resigned.

Henry L. Wallace to be postmaster at Calvin, Okla., in place of E. B. Logan, resigned.

## OREGON.

James Henderson to be postmaster at Cascade Locks, Oreg. Office became presidential January 1, 1921.

Henrietta Sandry to be postmaster at Rogue River, Oreg. Office became presidential July 1, 1920.

Charles H. Watzek to be postmaster at Wauna, Oreg. Office became presidential October 1, 1920.

## PENNSYLVANIA.

Elmer G. Cornwell to be postmaster at Mansfield, Pa., in place of R. E. Urell. Incumbent's commission expired February 4, 1922.

Richard C. Jockers to be postmaster at Jenkintown, Pa., in place of T. J. Barry, removed.

Benard Peters to be postmaster at Brackenridge, Pa., in place of C. O. Wherry. Incumbent's commission expired July 24, 1920.

William S. Tomlinson to be postmaster at Newtown, Pa., in place of J. H. Mitchell. Incumbent's commission expired August 7, 1921.

Malcolm F. Clark to be postmaster at Coudersport, Pa., in place of W. A. Shear. Incumbent's commission expired February 4, 1922.

Edward R. Dissinger to be postmaster at Mount Gretna, Pa. Incumbent's commission expired October 1, 1920.

Frederick C. Patten to be postmaster at Narberth, Pa., in place of E. S. Haws. Incumbent's commission expired February 5, 1922.

## SOUTH CAROLINA.

Alice Singletary to be postmaster at Bowman, S. C. Office became presidential October 1, 1920.

## SOUTH DAKOTA.

Signora Hjermstad to be postmaster at Wallace, S. Dak. Office became presidential April 1, 1921.

## TEXAS.

Robert E. Johnson to be postmaster at Pecos, Tex., in place of H. N. McKellar. Incumbent's commission expired May 20, 1922.



Mary Lovely to be postmaster at Weslaco, Tex., in place of J. B. Christner, declined.

Leo I. Steiner to be postmaster at Columbus, Tex., in place of A. P. Hinton. Incumbent's commission expired July 14, 1920.  
Sallie P. Lunday to be postmaster at Naples, Tex., in place of S. P. Lunday. Incumbent's commission expired March 8, 1922.  
Lotta E. Turney to be postmaster at Smithville, Tex., in place of J. K. Barry. Incumbent's commission expired April 6, 1922.

## VIRGINIA.

Lula E. Northington to be postmaster at Lacrosse, Va. Office became presidential April 1, 1920.

## WASHINGTON.

Herman S. Reed to be postmaster at Redmond, Wash. Office became presidential January 1, 1921.

Otto F. Reinig to be postmaster at Snoqualmie, Wash. Office became presidential January 1, 1921.

Gladys Jacobs to be postmaster at Vashon, Wash. Office became presidential January 1, 1921.

## WEST VIRGINIA.

Katherine E. Ruttencutter to be postmaster at Parkersburg, W. Va., in place of W. E. Stout, resigned.

Flavius E. Strickling to be postmaster at West Union, W. Va., in place of H. T. Davis. Incumbent's commission expired January 24, 1922.

## WISCONSIN.

Otto C. Nienas to be postmaster at Camp Douglas, Wis., in place of E. D. Singleton. Incumbent's commission expired January 24, 1922.

Gilbert J. Grell to be postmaster at Johnson Creek, Wis., in place of P. R. Stiehm. Incumbent's commission expired January 24, 1922.

William Reuschlein to be postmaster at Plain, Wis. Office became presidential April 1, 1922.

Clytie Geiger to be postmaster at Rothschild, Wis. Office became presidential April 1, 1921.

Alice M. Clinton to be postmaster at Sullivan, Wis. Office became presidential October 1, 1920.

## CONFIRMATIONS.

*Executive nominations confirmed by the Senate July 14 (legislative day of April 20), 1922.*

## DIPLOMATIC AND CONSULAR SERVICE.

Gordon Paddock to be secretary of embassy or legation, class 2.

## NAVAL OFFICER OF CUSTOMS.

Joseph W. Pascoe to be naval officer of customs, customs collection district No. 11, Philadelphia, Pa.

## SENATE.

SATURDAY, July 15, 1922.

(Legislative day of Thursday, April 20, 1922.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Assistant Secretary called the roll, and the following Senators answered to their names:

Ashurst	France	McCormick	Ransdell
Ball	Frelinghuysen	McCumber	Rawson
Borah	Gooding	McKinley	Robinson
Brandeggee	Hale	McLean	Sheppard
Cameron	Harrell	McNary	Shortridge
Capper	Harris	Moses	Simmons
Caraway	Harrison	Nelson	Smith
Culberson	Hedlin	New	Smoot
Cummins	Johnson	Nicholson	Sterling
Curtis	Jones, Wash.	Norbeck	Trammell
Dial	Kendrick	Oddie	Walsh, Mass.
du Pont	Keyes	Overman	Walsh, Mont.
Edge	King	Pepper	Warren
Ernst	Ladd	Phipps	Watson, Ind.
Fernald	Lodge	Pomerene	Willis

Mr. HARRISON. I desire to state that the Senator from Nevada [Mr. PITTMAN] is absent on account of illness in his family. I ask that this announcement may stand for the day.

Mr. HARRIS. I wish to announce that my colleague [Mr. WATSON of Georgia] is absent by reason of illness. I ask that this announcement stand for the day.

The VICE PRESIDENT. Sixty Senators have answered to their names. There is a quorum present.

## THE LEAGUE OF NATIONS.

Mr. BRANDEGEE. Mr. President, I ask unanimous consent to have inserted in the RECORD in 8-point type two short dispatches which I find, one in the Washington Post of this morning and the other in the New York Herald of to-day, in relation to a letter which is said to have been written by the Secretary of State, Mr. Hughes, to Mr. Hamilton Holt, replying to certain questions which Mr. Holt had asked him in relation to the League of Nations. I ask that the dispatches may be printed in the RECORD. If I had a copy of the entire letter written by the Secretary of State, I should ask to have that inserted; and I may do that later, if I have the good fortune to get the letter.

There being no objection, the matter referred to was ordered to be printed in the RECORD in 8-point type, as follows:

[From the Washington Post of July 15, 1922.]

SEES WORLD COURT TREATY AS UNLIKELY—PARTICIPATION BY UNITED STATES MUST BE OTHER THAN THROUGH LEAGUE OF NATIONS, HUGHES SAYS—REPLIES TO HOLT LETTER—DENIES ASSERTION THAT HE BLOCKED MOVING HEALTH CENTER FROM PARIS TO GENEVA.

(By the Associated Press.)

Secretary Hughes, replying yesterday to a letter recently addressed to him by Hamilton Holt, president of the Woodrow Wilson Foundation, of New York, said he could see no prospect for any treaty or convention by which the United States Government should share in the maintenance of the permanent court of international justice until some provision is made by which, without membership in the League of Nations, the American Government could be able to have an appropriate voice in the election of the court's judges.

## HUGHES REPLIES IN DETAIL.

The Secretary of State replied in detail to Mr. Holt's letter, which brought up a number of points with respect to relations of the United States and the League of Nations.

Declaring that "there had been much fruitless talk about answering communications from the league," Mr. Hughes said that "it may be pointed out that a large number of these are of a purely formal nature for the purpose of giving information," and that he had endeavored to deal with all communications courteously and appropriately, and reports to the contrary are evidently based on inadequate information.

The United States has had appropriate representation at health conferences, the Secretary added, denying Mr. Holt's assertion that he had "blocked the moving of the world health center from Paris to Geneva, where it was to be put under the jurisdiction of the League of Nations."

## HOLT AGAIN IN ERROR.

The Secretary likewise told Mr. Holt he was in error in saying that the State Department had "prevented the American Hague judges from sending in nominations for the permanent court of international justice of the league," adding that "the American Hague judges had acted in accordance with their own views of propriety."

Mr. Hughes further said he could not agree with Mr. Holt's statement that the results of the recent arms conference could have been accomplished sooner and better had the United States been a member of the League of Nations, and added:

"My own view is that the important results of the conference were made possible because it was a limited conference, held in Washington, by the nations immediately concerned and was not associated with other enterprises."

Denial also was made by the Secretary that the United States abandoned the Allies in making a separate treaty of peace with Germany.

[From New York Herald of July 15, 1922.]

HUGHES DENIES STRIKING AT LEAGUE—DEFENDS SEPARATE PEACE TREATY WITH GERMANY IN LETTER TO HAMILTON HOLT.

(Special dispatch to the New York Herald.)

NEW YORK HERALD BUREAU,  
Washington, D. C., July 14.

A strong rejoinder to the criticism of the international policies of the Harding administration coming from the supporters of the League of Nations and lieutenants of Woodrow Wilson was offered by Secretary of State Hughes in a letter made public to-day, which he addressed yesterday to Hamilton Holt, of New York, president of the Woodrow Wilson democracy.

Secretary Hughes's letter was an answer to a communication sent to him on July 7 by Mr. Holt, in which he contended that the United States was in various ways interfering with the activities of the League of Nations. The charge, Secretary Hughes declared, was without foundation.

In his letter the Secretary made clear the relations of this country to the League of Nations, the treaty of Versailles, and